ENTREPRENEURIAL KNOWLEDGE IN THE EVALUATION OF VENTURE CREATION OPPORTUNITIES: THE EFFECT OF DIFFERENT KNOWLEDGE TYPES ON THE DECISION TO EXPLOIT (SUMMARY)

Jennifer C. Sexton  
*Florida State University, USA, jcs05n@fsu.edu*

Tim R. Holcomb  
*Florida State University, USA*

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SUMMARY

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Jennifer C. Sexton, Florida State University, USA
Tim R. Holcomb, Florida State University, USA

Principal Topic

Explaining opportunity evaluation, which occurs after recognition but prior to the decision to act, is essential to entrepreneurship theory (McMullen & Shepherd, 2006). Herein, we extend theory to explain how different types of entrepreneurial knowledge affect the decision to exploit. Specifically, we describe how differences in procedural knowledge and domain knowledge affect the evaluation of recognized opportunities.

Theory/Conceptual Framework

Differences in knowledge affect judgments about recognized opportunities (Busenitz, 1996; Gaglio & Katz, 2001; Shane, 2000). Knowledge reduces uncertainty, enabling individuals to overcome doubt that blocks or delays entrepreneurial action. Whether action occurs depends on judgments formed during opportunity evaluation, which, in turn, depends on knowledge and the degree of uncertainty experienced in the decision of whether to act (Holcomb et al., 2009). We develop theory explaining the role of two knowledge forms on the decision to exploit: procedural and domain. Whereas procedural knowledge represents task-specific knowledge related to the venture creation process, domain knowledge represents knowledge formed around opportunity domains—market attributes such as customer needs, problems, and substitute products/services.

Applying these two dimensions, we develop a model containing four quadrants and characterize how these two knowledge forms affect the decision to act. The four quadrants include: newbie, domain-brain, explorer, and know-it-all. Newbies possess little to no procedural or domain knowledge and are least likely to act. Domain-brains possess high context knowledge but have little or no procedural experience, they are comfortable with the domain, but lack previous founder experience. Explorers are habitual or serial entrepreneurs that possess significant start-up experience in a variety of different settings, but lack domain knowledge in any one area. Finally, know-it-alls possess substantive domain knowledge and have experience establishing ventures in a variety of different market contexts.

Results and Implications

We introduce boundary conditions pertaining to cognitive structures and their effects on the decision to exploit. Our underlying theoretical framework conceptualizes entrepreneurial knowledge as a multi-dimensional construct in which different types of knowledge affect the likelihood of exploitation and value created from recognized opportunities. Our model dimensionalizes entrepreneurial knowledge into four quadrants and extends theory to explain the decision of entrepreneurs to exploit recognized opportunities.

CONTACT: Jennifer C. Sexton; jcs05n@fsu.edu; (T): 850-559-3135; Florida State University, Tallahassee, FL 32306.