TO FIND OR NOT TO FIND: HOW DO OPPORTUNITY IDENTIFICATION COGNITIONS DIFFER BY TASK? (INTERACTIVE PAPER)

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TO FIND OR NOT TO FIND: HOW DO OPPORTUNITY IDENTIFICATION COGNITIONS DIFFER BY TASK?

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Principal Topic

Opportunity identification is considered to be the most distinctive and fundamental of entrepreneurial behaviors (Gaglio, 1997; Venkataraman, 1997, Shane and Venkataraman, 2000). Opportunity identification has been also assumed a cognitive task and cognitive explanations have often suggested that entrepreneurs operate a distinctive set of perceptual and information-processing skills (Gaglio & Katz, 2001).

Cognitive psychologists have identified three types of decision-making cognitions: analysis, quasirationality and heuristics. According to correspondence-accuracy principle (Hammond et al., 1987), in order for a decision to be adequate these cognitions would vary depending on the cognitive properties of the task. One of the most powerful moderators of a task’s cognitive properties is uncertainty. According to Sarasvathy et al. (2003), based on Knight (1921), opportunity identification process can be characterized by any level of uncertainty, starting from ultimate to moderate to low. Our study addresses the following research questions: a) whether different types of opportunity identification (Sarasvathy et al., 2003) would induce different cognitions; b) whether opportunity identification cognitions differ when used by expert entrepreneurs compared to novices, and c) if entrepreneurs use different cognitions depending on whether they were able or unable to identify opportunities.

Method

Both expert and novice entrepreneurs participated in the experiment, their task being to reflect on whether they could or could not identify an opportunity in given case scenarios. All scenarios had been previously calibrated uncertainty-wise to induce the use of analysis, heuristics, and intuition. The reflections were tape-recorded and subsequently transcribed, coded and analyzed using non-parametric Mann-Whitney U tests in order to examine the emerging cognitive patterns for depth and breadth of cognitive activity, cognitive primacy and cognitive dominance.

Results and Implications

Each of the examined tasks demonstrated significant differences in the cognitive activity of people who find opportunities and those who do not. The implications are: opportunity identification involves significant cognitive activity across tasks. As no differences were found with respect to opportunity identification between expert entrepreneurs and novices, it suggests that experts and novices can both identify opportunities, but only experts can exploit them effectively. Finally, people who identify opportunities do so using different cognitive approaches than people who do not identify opportunity.

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