FACTORS INFLUENCING OPPORTUNITY RECOGNITION: AN EMPIRICAL STUDY (SUMMARY)

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FACTORS INFLUENCING OPPORTUNITY RECOGNITION: AN EMPIRICAL STUDY

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Principal Topics

One of central research issue in entrepreneurship research is opportunity recognition (Baron, 2004; Gaglio & Katz, 2001; Shane & Venkataraman, 2000). Despite the importance of opportunity recognition as a critical entrepreneurial capability (Ardichvili, Cardozo, & Ray, 2003) and source of competitive advantage (Alvarez & Busenitz, 2001), we have limited understanding of factors that influence the manner in which entrepreneurs search and identify opportunities. In this paper we explore how factors such as education, prior work experience, prior start-up experience and biographical characteristics influence the manner in which entrepreneurs search for opportunities. Specifically, we attempt to understand how the characteristics of entrepreneurs who undertook systematic search for opportunities when starting their venture differ from those entrepreneurs who did not undertake systematic search.

Method

We have compiled a unique dataset of entrepreneurs in India using secondary sources (newspaper, website etc.). Specifically, we have collected information on the education background, work experience, start-up experience, and biographical characteristics of the entrepreneurs along with information on source of idea for their ventures (systematic search or other). The measures for general and specific human capital will be based on prior literature (e.g., Davidsson & Honig, 2003; Shane, 2000; 2003; Shepherd & DeTienne, 2004; Ucbasaran et al., 2003). The dependent variable is a binomial variable for source of business idea (systematic search or other). We measure entrepreneur’s age in number of years and gender is coded as a binomial variable. We also have a control for the venture start year.

Results and Implications

The initial results indicate support for our hypotheses. Specifically we find that the education type and quality (e.g., technical Vs. non-technical, international Vs. local) is significantly related with systematic search for opportunities. This research study seeks to make important contribution to existing literature on opportunity recognition. First, the findings of this study will help in understanding the differences in human capital between entrepreneurs who engage in systematic search and those that do not engage in systematic search when starting their venture. Second, by including biographical characteristics of entrepreneurs we provide additional evidence on factors that influence opportunity search and identification. Finally, by studying entrepreneurs in India we expand this literature stream which has predominantly focused on North America and Western Europe. This will not only increase the generalizability of the literature, but will also help in understanding if national culture impacts the manner in which entrepreneurs search and identify opportunities.

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