OPPORTUNITY ACKNOWLEDGEMENT: PRIOR KNOWLEDGE VS OTHER INDIVIDUAL DIFFERENCES (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

OPPORTUNITY ACKNOWLEDGEMENT: PRIOR KNOWLEDGE VS OTHER INDIVIDUAL DIFFERENCES

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Principal Topic

What makes some individuals better able than others to acknowledge opportunities that are not obvious? To address the limits of research studying individual differences without controlling for the characteristics of the opportunities being considered, we conducted an online experiment with 98 biotech entrepreneurs. Building on prior work (Grégoire and Shepherd, FER 2005), we modeled entrepreneurs’ evaluations of opportunities as a function of their prior knowledge, human capital, motivation, self-construct, metacognitive knowledge and overconfidence.

Results and Implications

A first set of observations focus on opportunities that are superficially not obvious – opportunities where the relevant technologies and markets share low levels of superficial similarity, but high levels of structural similarity. Results provide no evidence that differences in human capital, motivation, self-construct and other cognitive abilities are related to entrepreneurs’ evaluation of these opportunities. However, evaluations augment significantly with prior knowledge of technology.

A second set of observations focus on structurally-divergent opportunities – where the relevant technologies and markets share high levels of superficial similarity, but low levels of structural similarity. Results indicate that entrepreneurs with more education credentials, and those with a business education, tend to rate those opportunities significantly less positively. Here again, evaluations of structurally-divergent opportunities augment significantly with prior knowledge of technology.

These results raise important questions about the role of prior knowledge: does it enable entrepreneurs to focus on the relevant structural parallels, to compensate for the lack of such parallels, or simply to express more positive evaluations of whatever information they encounter? To investigate this issue, a third set of observations focus on entrepreneurs’ different responses to the stimuli. These results indicate that when considered from this angle, the effects of prior knowledge disappear. What we find instead is a significant and positive effect of entrepreneurs’ intention to start a new venture within the next five years. In other words, entrepreneurs’ more favorable evaluation of superficially non-obvious opportunities (relative to structurally-divergent ones) is significantly augmented with their entrepreneurial intention.

These results suggest the need to reconsider the results of past research on entrepreneurs’ abilities vs the role of prior knowledge, and that in light of cognitively meaningful reasons why some opportunities may be more or less obvious than others.

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