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THE EXPLOITATION OF BUSINESS OPPORTUNITIES: PATTERNS, BIASES, AND PROCESSES (INTERACTIVE PAPER)

Joern H. Block  
*Erasmus University Rotterdam*, block@ese.eur.nl

Marc Gruber  
*Ecole Polytechnique Federale de Lausanne*

Jeffrey S. Petty  
*University of Lausanne*

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THE EXPLOITATION OF BUSINESS OPPORTUNITIES:
PATTERNS, BIASES, AND PROCESSES

Joern Block, Erasmus University Rotterdam, Netherlands
Marc Gruber, Ecole Polytechnique Federale de Lausanne, Switzerland
Jeffrey S. Petty, University of Lausanne, Switzerland

Principal Topic
Start-up companies, result from a series of activities centered on the creation of value from a new commercial opportunity. The creation of these new ventures is contingent upon the efforts of an individual who first identifies the opportunity and then actively engages in the pursuit of the same; Shane and Venkatraman (2000) refer to these two essential activities as opportunity exploration and opportunity exploitation.

However, while we find that management scholars have focused extensively on the activities related to opportunity, our understanding of opportunity exploitation remains quite limited. To guide our research, we examine the following research questions:

1. How does prior experience/education/social background influence the mode of opportunity exploitation?
2. How does an individual’s personality influence the mode of opportunity exploitation?

Method
Our data was obtained from a survey of 3,310 European-based individuals, of which 2,709 answered our survey (response rate: 81.8%). The respondents are representative of the general adult population.

Respondents were asked to list specific activities which they would pursue in order to exploit a given business activity. In the first step, we calculate the variable number of exploitation activities to capture the breadth of activities that our respondents would undertake. In a second step, we use a principal component analysis to summarize the activities into specific subgroups of activities, e.g. marketing-related activities, operations-related activities, etc.

Our main independent variables refer to experience of the respondent, e.g., entrepreneurial experience, industry experience, breadth and length of commercial and functional experience. As further independent variables, we use a large set of socio-economic variables including age, gender, education and household income as well as variables capturing selected personality traits of the respondent. Finally, we include variables capturing the entrepreneurial ambition and goals of the respondent when exploiting the given commercial opportunity.

Results and Implications
Our results show that entrepreneurial experience, level of education, specificity of education and overall commercial experience lead individuals to be focused on a limited number of exploitation activities. We also find that the experience background of the respondents determines the type of activities that they would pursue when exploiting a given business opportunity. Specifically, respondents with entrepreneurial experience seem to focus less on planning activities and to focus more on cash flow generating activities. Respondents with an operations background focus more than other respondents on legal and environment-related activities.

These findings provide a number of novel implications for theory development in entrepreneurship in that they point to important individual-level differences in the opportunity exploitation stage. For instance, although we know that the experience background of nascent entrepreneurs has a path-dependent influence on the way they set-up their firms, extant findings provide limited insights into this important linkage that seems to be a key determinant in new firm creation.

CONTACT: Joern Block; block@ese.eur.nl; (T): 0031104081004; Erasmus University Rotterdam P.O. Box 1738 3000, Rotterdam, 3000 DR Netherlands