WHERE DOES AN ENTREPRENEURIAL OPPORTUNITY COME FROM? A HIERARCHICAL REPRESENTATION OF KNOWLEDGE (INTERACTIVE PAPER)

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Principal Topic and Theoretical Development

An entrepreneurial opportunity differs from “the larger set of all profit opportunities” because of novelty (Shane & Venkataraman, 2000). However, all opportunities are not equal in terms of the novelty they imply. The conceptual model advances a hierarchical tree structure that captures existing business practices and, concomitantly, where the novelty lies. In order to represent the existing business practices, I draw on tools advanced by the evolutionary and knowledge-based theories of the firm: business models, routines, and subroutines.

Then, entrepreneurial opportunity can imply change at any of the three levels of the knowledge hierarchy. I propose that a similar hierarchical structure of existing business knowledge exists in the mind of an entrepreneur when she is engaged in entrepreneurial judgment.

If this hierarchical tree structure has any corresponding cognitive structure in the minds of the prospective entrepreneurs, they should react differently to changes in different levels of the tree. The novelty evaluation associated with an opportunity should differ according to the level of the tree change is occurring. In other words, if the hierarchical tree structure has no validity, the opportunities based on different levels of the tree should be evaluated no differently from each other.

Data and Implications

The hypotheses are tested in an experiment. Part-time MBA students with a demonstrated interest in entrepreneurship at a private university are recruited to participate. The instruments are developed using a set of hypothetical scenarios from a previous study. Some changes are made to scenarios that either obscure the knowledge hierarchy in some conditions or help the participants recognize the hierarchical structure in other conditions.

Confirmation of the conceptual model will contribute to the entrepreneurial cognition literature by the development of an insight into the mind of the entrepreneur. In this project, I offer a knowledge representation and the resulting opportunity recognition that does not assume any cognitive superiority to be an entrepreneur. I use existing tools of knowledge-based view and show how an individual with some working knowledge of a business domain can come up with an entrepreneurial opportunity. The model also demonstrates how all opportunities are not equal in terms of their knowledge content.

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