6-9-2012

HOW OPPORTUNITY TYPES AFFECT PERFORMANCE: EVIDENCE FROM THE PSED (SUMMARY)

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Recommended Citation
Welter, Chris and Hechavarria, Diana (2012) "HOW OPPORTUNITY TYPES AFFECT PERFORMANCE: EVIDENCE FROM THE PSED (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 32: Iss. 15, Article 15. Available at: http://digitalknowledge.babson.edu/fer/vol32/iss15/15
Principal Topic

Opportunities have been a focus of entrepreneurship research, but the bulk of that work has been conceptual (see Short et al. (2010) for a review). The concept of opportunity types offers promise, but has remained empirically elusive (Dimov, 2011). The true value of a theoretical distinction between opportunity types rests on their implications for entrepreneurial processes. Entrepreneurial expertise has been shown to be important opportunity identification, yet research on creation opportunities assumes that there are no predictive differences in entrepreneurs ex ante. Thus, we investigate the relationship between prior experience, opportunity type and their effect on new venture performance.

Method

We examine the relationship between industry experience and performance as moderated by the type of opportunity based on data from the PSED II. Firm performance is measured in line with other PSED studies by analyzing whether the firm has ongoing operations, is still in startup phase, or has quit working on the idea. The background experience of the entrepreneur compared to the new firm’s industry tests the first two hypotheses. Lastly, we test the moderating effect of opportunity type by drawing on a variable that asks whether the idea came first or the decision to start a venture came first.

Results and Implications

The results show that on average, new firms had more experience within the start-up industry than nascent entrepreneurs who were still trying or quit. Results for both opportunity type and expertise are statistically significant across the two models. Nascent entrepreneurs are more likely to quit their efforts as industry expertise decreases. Turning to opportunity type, entrepreneurs pursuing creation opportunities are 1.6 times more likely to quit compared to entrepreneurs pursuing discovery opportunities who are 1.4 times more likely to quit than to create a new firm. However, we do not find significant results for an interaction effect between expertise and opportunity. This confirms prior research on the value of prior industry experience and suggests that opportunity type does play some role in new venture success. Nonetheless, that relationship requires further investigation.