Conceptualizing the role of opportunity recognition in entrepreneurial career success

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Abstract
Previous studies conducted on entrepreneurial success and opportunity recognition have been studied as separate phenomenon and examines the entrepreneurial process after opportunities have been discovered. Thus, the aim of the study to conceptualize the role of opportunity recognition on the success of entrepreneurs with several other individual level determinants. Based on the different theoretical approaches and the review of literature, this study suggests a theoretical framework, which includes all individual level determinants of entrepreneurial career success. These drivers are personal capital, psychological capital, human capital, social capital, managerial competencies, and opportunity recognition.

Keywords: Opportunity Recognition, Entrepreneurial Subjective career success, Entrepreneurial Objective career success

1. Background to the Study
1.1. Entrepreneurship and Opportunity Recognition
Due to dramatic unfavorable changes and reduced opportunities for career advancement in the private sector, entrepreneurship has become an increasingly attractive career alternative in many of the countries today. As a result of this, massive number of new ventures are established each year worldwide. However, for many aspiring entrepreneurs it is really difficult to meet their initial expectations and as a result of that the failure ratesamong start-ups and new ventures can amount up to sixty percent within first 5 years (Martin & Ingrid, 2001).
Establishing an entrepreneurial firm is an outcome of one’s own decision and his/her self-motivation. Thus, individual level determinants play a dominant role in the success of entrepreneurs. But, despite extensive research on the attributes of both entrepreneurial firms (Mahoney &Pandian, 1992) and individuals (Kehe et al., 2002), studies of success outcomes have focused primarily on firms rather than on entrepreneurs themselves (Parasuraman et al., 1996). According to Lau, Shaffer & Kevin Au
(2007), ‘entrepreneurial firms are a natural extension of entrepreneurs: thus understanding the career success of these individuals will provide some insights into the success of their firms’ (p.126). Conventionally, entrepreneurial career success could be conceptualized in terms of objective and subjective domains (Lau, Shaffer & Kevin Au, 2007).

It is increasingly recognized that entrepreneurial opportunities are at the heart of entrepreneurship (Davidsson, 2004; Shane, 2003; Short et al., 2010). As Shane and Venkataraman (2000) ‘without opportunities there is no entrepreneurship’ (p.) and (Short et al., 2010) ‘apotential entrepreneur can be enormously creative and hardworking, but with the absence of identifying an opportunity to aim these characteristics, entrepreneurial activities cannot be taken place (pp.40). According to Ardichvili et al (2003); Shephered and DeTienne (2005), identification and selection of the right opportunities for new businesses are among the most important abilities of a successful entrepreneur. Further, understanding entrepreneurial opportunities is important because the characteristics of opportunity influence the entrepreneurial process (Shane, 2003). Thus, the study of opportunities is indispensable and central to the entrepreneurship research (Davidsson, 2004; Shane and Venkataraman, 2000). However, many studies on entrepreneurship have focused on entrepreneurs and their behaviours in creating new ventures, but little attention on ‘opportunity’ (Eckhardt & Shane, 2003).

2. The statement of the Problem
There are great deal of studies on entrepreneurial success and opportunity recognition. However, the phenomenon studied in relation to entrepreneurial success and opportunity recognition are still inconclusive. Previous studies conducted on entrepreneurial success and opportunity recognition have been studied as separate phenomenon. Shane (2000) emphasize, a great deal of entrepreneurial research examines the entrepreneurial process after opportunities have been discovered. Even if great number of studies has highlighted the importance and role of opportunity recognition in entrepreneurial success a lacuna could be found in examining the interrelationship between these two concepts. Hence, previous studies conducted on opportunity recognition and entrepreneurial success can be considered as polarized studies.

On the other hand, some opportunities are good or right opportunities and some of them are bad or wrong opportunities. Recognizing right opportunities therefore will not lead all entrepreneurs to their success. In contrast, there are entrepreneurs who succeed without identifying opportunities. This unrevealed interrelationship between the two concepts creates a knowledge gap to conceptualize the role of opportunity recognition on entrepreneurial success. Therefore the aim of this study is to conceptualize role of opportunity recognition on the success of entrepreneurs with several other individual level determinants. Particularly this study address the following questions of (i) what are the factors affecting opportunity recognition of entrepreneurs their relative importance (ii) what are the factors affecting entrepreneurial career success and their relative importance and (iii) to what extend does opportunity recognition predict entrepreneurial career?

3. Theoretical Perspective of Entrepreneurship and Opportunity Recognition
Today, entrepreneurship, a field of study, is considered as one of the most dynamic fields, having different views, thoughts and approaches leading to emerge different academic traditions in this field. As a result of is, those different academic traditions or schools of thoughts bring multifaceted and heterogeneous phenomenon with respect to theories, approaches, methodologies in understanding what precisely ‘entrepreneurship’ is (Audretsch 2012).

According to Audretsch (2012), there are three main approaches to entrepreneurship as organizational context approach, performance criteria approach and behavioral approach. According to Shane (2003), entrepreneurship research falls into three schools of thought, each with different assumptions about this
process of entrepreneurship, namely as Neoclassical equilibrium theories, Psychological theories and Austrian theories. According to Eckhardt& Shane (2003), the main theories have explained ‘entrepreneurship’ as a function of the types of people who engaged in entrepreneurial activity and the role of opportunities. Therefore first, entrepreneurship has identified as a person-centric approach. Second, many researchers have assumed that entrepreneurship as an equilibrium phenomenon. In recent, according to Eckhardt& Shane (2003); Shane &Venkataraman (2000) and Venkataraman (1997), entrepreneurship, as a scholarly field, involves the study of opportunities. Samasivan (2009) categorized all these different traditions into six major schools of thoughts as (1). The ‘Great Person’ school of entrepreneurship, (2). Psychological approach of entrepreneurship, (3). The classical school of entrepreneurship, (4). The management school of entrepreneurship (5). The leadership school of entrepreneurship and (6). The intrapreneurship school of entrepreneurship. More precisely, firstly, entrepreneurship discusses the role of personal traits and skills needed for the venture success and survival. Then it focuses the importance opportunity recognition and exploitation. Next emphasis of entrepreneurship discusses the role of managerial skills & capabilities and their leadership needed for an entrepreneur to manage his business and finally, its focus confers challenges and issues faced by an entrepreneur and the how he/she sets up the business strategies to overcome the barriers. In summary, all these traditions discuss the different aspects of role, characteristics, behavior, skills, practices of both the entrepreneur and his/her venture which lead to their survival and success.

Therefore, the main focus of this study is to reconcile those different approaches into one theoretical framework which includes all the aspects of entrepreneurial success at individual level and to discuss their relative role in entrepreneurial career success.

4. Review of Literature
4.1. Entrepreneurial Career Success

Entrepreneurial success has been defined and measured in different ways. The widely used way is to define and measure the entrepreneurial success is to use tangible elements (Makhbul&Hasun, 2011) or to use objective domains. Therefore, many studies on entrepreneurial success have mainly emphasized on firms rather than individual entrepreneurs (Lau at el., 2007 and Parasuraman et al., 1996). In contrast, some studies have focused on entrepreneurial career success rather than entrepreneurial firm success (Lau at el., 2007, Keh et al., 2002) as they argue that entrepreneurial firm is the natural extension of entrepreneurs and studying those individuals hence provides some insights into the success of their firms.

Conventionally, entrepreneurial career success conceptualized in terms of both objective (extrinsic) and subjective (intrinsic) domains (Lau at el., 2007). Objective career success is observable. Therefore, it is relatively easy to measure. Objective career success is usually measured in terms of income, promotions, job level, status and prestige. The three dimensions to measure objective career success for entrepreneurs are social reputation, social recognition and social status (Lau et al., 2007). On the other hand, subjective career success is unobservable. Hence it is difficult to measure but possible to assess. So, the subjective career success refers to individuals’ career appraisal towards their career experiences. Subjective career success dimensions constructed by Lau et al. (2007) in their study are perceived career achievement, career satisfaction and perceived financial attainment.

According to the previous studies, career success can be measured in terms of objective, subjective or both domains. But here the problem arises is that how these objective and subjective careers relate to one another (Hall & Chandler 2005) as whether objective career success influence on subjective career
success or it is the other way round. However, in literature there are studies in supporting both arguments. As Arthur et al (2005) highlighted, the most of studies relating to entrepreneurial success have considered the influence of objective career success on subjective career success. In contrast, some studies have supported the reverse causality (Hall & Chandler, 2005; Aryee et al., 1994). However, studies considering the influence of both ways is scares in literature.

4.2. Opportunity Recognition

In spite of the different definitions provided, some studies claim that opportunity recognition is subjectively perceived and in contrast, others argue it is objectively discovered. Those who argue opportunity recognition as an objective concept suggest that opportunities arise from different external changes such as technological, political, regulatory, and socio demographic changes (Davidsson 2004; Shane 2003). On the other hand, according to Alvarez & Barney (2007); Shepherded et al (2010), opportunity recognition is a subjective phenomenon which arises out of the subjective interpretations and creative actions of individuals. However, Maija Renko et al. (2012) in their study have established that elements of both these perspectives can be found in every entrepreneurial opportunity. In addition to the above dichotomy of opportunities, recent entrepreneurship research has focused on another contrast of opportunities: first person opportunities and third person opportunities. First person opportunities concerns the formation of subjective beliefs that an opportunity exists for those individuals with the relevant knowledge and motivation to exploit it (Gregoire et al., 2010). The third person concerns the evaluation of the opportunity for oneself considering whether the relevant person has the motivation and knowledge to successfully exploit the opportunity. Thus, third person opportunity is a potential opportunity not just for him/her self, but for anyone with the ability to notice and interpret the signal. In contrast, the first person opportunity is purely for oneself. In this instance, the entrepreneur is involved in a decision making process and evaluates the opportunity according to whether it is promising and feasible and what the potential reward for this opportunity is worth etc. (Gregoire et al., 2010; McMullen & Shepherd, 2006).

5. Theoretical Framework

Based on the different theoretical approaches and the review of literature, this study suggests a theoretical framework, which includes all individual level determinants of entrepreneurial career success. Thus the suggested theoretical model of entrepreneurial success in figure 1 includes six drivers of entrepreneurial career success and is more appropriate as it suggests all individual level predictors of entrepreneurial success. They are personal capital, psychological capital, human capital, social capital, managerial competencies, and opportunity recognition.

Personal Capital

Personal capital consists of socio-demographic factors of entrepreneurs such as their age, level of education, gender, experiences, family background. Even if psychological theories of entrepreneurship consider personal capital as a good predictor of entrepreneurial success empirical findings are with greater contradictions. Thus, no consistency could be found on whether personal capital positively relates to objective and subjective success of entrepreneurs. Thus, it proposes the following proposition,
Proposition 1: Personal capital positively related to entrepreneurial success.

Psychological capital
This refers to entrepreneurs’ skills and capabilities, needed in business operations. The most widely used psychological factors are risk taking, need for achievement, locus of control, self-efficacy, tolerance of ambiguity, innovativeness, and openness. Since entrepreneurs are owner-managers to their firms they should have these psychological characteristics, lead their success and survival. Many scholars (for example; Cramer et al., 2002; Born & Witteloostuijn, 2009) found positive relationships between the factors of psychological capital and the firm success. But there are controversies about the role of those factors in the higher performance of entrepreneurs. Thus, it proposes the following proposition,

Proposition 2: Psychological capital positively related to entrepreneurial success.

Human Capital
This refers to the knowledge and experiences of entrepreneurs. Human Capital is one of the key components in firms’ success and acts as a resource (Rauch & Frese, 2000). Therefore, human capital can be acquired and developed through education, work experiences and job trainings (Markman & Baron, 2003) and need to continuously developed (Born & Witteloostuijn, 2009). Human capital is two types: general human capital and specific human capital. While general human capital acquires through education and work experience, specific human capital develops through industry specific experience, leadership experiences and self-employment experiences (Bruederl, Preisendoerfer, & Ziegler, 1992). Many studies found a strong positive relationship between human capital and firm performance (Bruederl, Preisendoerfer, & Ziegler, 1992; Gimeno, Folta, Coorper, & Woo, 1997; Pennings, Lee, & Van Witteloostuijn, 1998). Thus, this study proposes the following proposition,

Proposition 3: Human capital positively related to entrepreneurial success.

Social Capital
Social capital is another important components of entrepreneurial success. Social capital includes entrepreneurs’ social networks, contacts and relationships with third parties and can be in the form of formal and informal ties. Formal ties are partnerships and industrial contacts which comes in the forms of financial, technology and strategic and informal ties are social and community-based networks (Makhbul & Hasun, 2011). Thus entrepreneurs use four main types of network ties as (1). Entrepreneurs’ inner circle – includes the people with whom entrepreneurs have stable and long-term relationships. But they are not venture partners. (2). Action sets – those who recruited by entrepreneur to provide necessary resources (3). Partnerships (4). Weak network ties – uses to gather general information. Regardless of the type, entrepreneurs use social capital to gather more knowledge, information and better access towards resources. Studies have found positive impact of social networks on entrepreneurial success (Makhbul& Hasun, 2011; Bruderl & Preisendorfer, 1998). Thus, the following proposition is sugessted in this regard.

Proposition 4: Social capital positively related to entrepreneurial success.

Managerial Competencies and Business Strategies
Even if the entrepreneurial traits and characteristics are the most significant drivers of entrepreneurial success, managerial competencies and business strategies too have significant influence in firm performance. Entrepreneurs themselves have to take all resposibilities, engage in many of the firm activities, combine & utilize resources effectively and efficiently, exploit/innovate new opportunites,
products, markets etc., identifying customer needs & wants and meeting their satisfaction (Tanveer, Akbar, Gill, & Ahmed, 2013). Therefore, in this regard, managerial competencies and business strategies are of particular importance for them in firm success (Rauch & Frese, 2000). Thus, it proposes the following proposition.

Proposition 5: Managerial competencies and business strategies positively related to entrepreneurial success.

**Opportunity Recognition**

It is increasingly recognized that entrepreneurial opportunities are at the heart of entrepreneurship (Davidsson, 2004; Shane, 2003; Short et al., 2010). Eckhardt & Shane (2003) defines entrepreneurial opportunities as “the introduction of new goods, markets, raw materials and organized methods in order to create something new” (p.339). Identification and selection of the right opportunities for new businesses are among the most important abilities of a successful entrepreneur (Ardichvili et al., 2003; Shepherd & DeTienne, 2005). Further, understanding entrepreneurial opportunities is important because the characteristics of opportunity influence the entrepreneurial process (Shane 2003). Therefore, identifying correct opportunities lead entrepreneurs to start new ventures and do significant improvements in existing businesses (Sambasivan, Abdul, & Yusop, 2009). Thus, this study proposes the following proposition.

Proposition 5: Opportunity Recognition positively related to entrepreneurial success

As per literature, there are many factors influencing the process of opportunity recognition. Among them entrepreneurial alertness, prior knowledge, social networks, personality traits and psychological factors are significant. Many studies (Ardichvili et al., 2003; Shane, 1999; Shepherd & DeTienne, 2005; Venketaraman, 1997) found that the said factors are significant predictors in opportunity recognition. Therefore, this study proposes the following propositions in this regard.

Proposition 5: Personal capital positively related to entrepreneurial opportunity recognition.
Proposition 5: Psychological capital positively related to entrepreneurial opportunity recognition.
Proposition 5: Human capital positively related to entrepreneurial opportunity recognition.
Proposition 5: Social capital positively related to entrepreneurial opportunity recognition.
Proposition 5: Personal capital positively related to entrepreneurial opportunity recognition.

6. Research Methods and Methodology

6.1. Research Design and Research Model

Most of the research studies on entrepreneurship have been performed as quantitative studies. Thus, to provide an empirical support for the conceptual frame work proposed above, a quantitative research method will be most appropriate in order to conduct a cross-industry field survey for primary data collection. The unit of analysis of the study will be the individual entrepreneurs as the focus of the study is on entrepreneurs and their characteristics towards entrepreneurial career success. Suggested propositions were developed based on the study framework.

Figure 1 explains the conceptual framework of the research design. The conceptualization has been originated based on the existing theoretical and empirical studies in the area of entrepreneurial opportunity identification and development.
For this purpose, the study will be used two main research instruments as structured questionnaire and interviews where it necessary. The self-structured questionnaire will be developed to collect data. Informal interviews will also be used as a research instrument. The study intends to employ both descriptive statistics and statistical inferences for the data analysis purpose in order to achieve its objectives. Therefore frequencies, means and standard deviations will be used as main descriptive statistics. Multivariate analysis will be applied to test the model of the study. Structural Equation Modeling (SEM) will be the main statistical tool in this regard. However, when using regression or ANOVA, the researcher can only conduct his/her analysis on variables that are directly measured, and this can therefore limit the testing of the underlying theoretical constructs (Martens, 2005). But SME measures the relative importance of each independent variable included in the model. Another important attribute of SEM is that it can address the measurement error that other linear techniques cannot model.

7. Discussion and Conclusion

Although studies on entrepreneurship have acknowledged the potential constraints on business growth and success arising from conflicts between work and family demands, the role of opportunity recognition by entrepreneurs and entrepreneurial career success are extremely few and with full of significant research gaps, unaddressed phenomenon and contradictory findings. Shane & Venkataraman (2000) assert that to have entrepreneurship there must first be opportunities. Shane (2003) is of the view that both individuals and opportunities are important in the entrepreneurial process because opportunities themselves lack human agency. Knowledge relating to the opportunity recognition and entrepreneurial success has been limited due to various conceptual gaps, methodological challenges and inconclusive empirical findings in the field Shane & Venkataraman’s (2000). This study, therefore, addresses some conceptual gaps and methodological challenges associated with opportunity recognition and entrepreneurial career success. Further, it investigates the relative importance of opportunity recognition with several other individual level of determinants of personal capital, psychological capital, human capital, social capital, and managerial competencies in entrepreneurial career success. This study yields some limitations too. The proposed model of entrepreneurial career success only focuses on individual level determinants of entrepreneurs and their relative importance in entrepreneurial career success. But, it does not investigate the impact of the factors of external environment and firm level determinants within which those entrepreneurial firms operate. Therefore, future research could be conducted in this direction in order to improve this model, incorporating individual level determinants with firm level determinants and external environment factors.
References


**Annexure 1: Figure 1: Conceptual Framework**