The implications of opportunity recognition for entrepreneurs

The Entrepreneur that starts up this business is Mr. Goh Cheng Hoy; he was born in 1959 in Penang. In 1983, Mr. Goh identifies the prospect of setting up a mattress manufacturing factory in Penang. He saw what others don't saw and he is the pioneer in bringing this business up in Penang. Not only did his company made name locally, his brand is also well known in the other part of the world as it is a major exporter of mattress.

According to Donald Kuratko and Howard Frederick, " entrepreneur is defined as a person who is innovative, recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; add value through time, effort, money, or skills; and assumes the risks of the competitive marketplace to implement these ideas." Entrepreneurs are often characterized by their ability to recognize opportunities (Bygrave & Hofer, 1991) and the most basic entrepreneurial actions involve the pursuit of opportunity (Stevenson & Jarillo, 1990).

Entrepreneur is a person who can identify and recognise viable business opportunities. Opportunities lie everywhere, yet many people neglected and didn't notice there was one; however, entrepreneurs have the capacity to see what others do not. They are uniquely optimistic, committed, determined, creative and innovative. Although all people are unique by nature, all entrepreneurs have one common objective – that is to create wealth from new or existing resources.

The purpose of this paper is to review opportunity recognition literature in the entrepreneurial process and to discuss the implications of Opportunity

Recognition for entrepreneurs. The opportunity recognition as presented here is only on an individual-level basis.

Christensen et al. (1989) defines opportunity recognition " consists of either perceiving a possibility to create new business, or significantly improving the position of an existing business. It both will lead to profit potential."

Opportunity Recognition for new business is the central and important component of entrepreneurial process, (Christensen et al. 1994; Gaglio 1997; Gaglio and Katz 2001; Gartner et al. 2001; Kirzner 1997; Shane and Venkataraman 2000), and is the first and most vital steps in the entrepreneurial process (Christensen et al. 1994; Hills 1995; Timmons et al. 1987). Before one could proceed to others, they must first identify the opportunity that arise and take further step to make the opportunity into a profit making business. Without opportunity there is no entrepreneurship. This is further strengthen by the cited definition of an entrepreneur as someone " who perceives an opportunity and creates an organization to pursue it" (Bygrave & Hofer, 1991: 14)

Numerous scholars view opportunity recognition as a multi-staged and often complex process. The process perspective of OpR has proved to be a fruitful area of research because it acknowledges that OpR is a multifaceted phenomenon influenced by numerous factors. Long and McMullan (1984), for example, proposed a model of the opportunity recognition process with four stages: Prevision, point of vision, opportunity elaboration, and the decision to proceed. Pre-vision is affected by both uncontrollable and controllable factors, such as environmental and job forces, as well as venture alertness cultivation, moonlight venturing, and job selection. Ardichvili et al. (2003) suggest that the opportunity identification process begins when alert entrepreneurs notice factors in their domain of expertise that result in the recognition and evaluation of potential business opportunities.

The issue of opportunity recognition, as opposed to opportunity evaluation, has received far less attention. Yet it is opportunity recognition that often drives deals. Until recently this aspect has been offered very little attention by scholars. However, there has been a growing interest into the process of opportunity recognition over the last few years, resulting in a number of published researches. The specific area of opportunity identification has been particularly enriched with insights through valuable academic in recent years. Namely, it is through the research findings and contributions of scholars like Shane, Lumpkin and Gilad that there are several affecting factors identified and modelled accordingly. Even though the joint efforts of the business practitioners and scholars, they have yet to produce a workable universal model, there are a number of framework variables that are being discussed and elaborated upon.

Despite of a growing amount of published research work focusing on entrepreneurial opportunities, there is little empirical research and investigation into this area. The main question that puzzles most of the research relating to opportunity recognition is why, when and how someone generates or sees opportunities whilst others do not (Shane & Venkataraman, 2000).

Scholars argue that existing entrepreneurs are more likely than others to detect opportunities because of the knowledge they have learned from previous entrepreneurial experiences (McGrath, 1996; Ronstadt, 1998). Recent research on habitual entrepreneurship founds that opportunity recognition may be fuelled by prior entrepreneurial experience resulting in knowledge (Ucbasaran, Howorh, & Westhead, 2000; Ucbasaran & Westhead, 2002).

There are two set of questions and debates surrounding opportunity literature. The first is whether opportunities are the result of serendipity or deliberate search (Chandler, Dahlquist, & Davidsson, 2002; Gaglio & Katz, 2001). The second is whether they are discovered objectively or created subjectively (Gartner et al., 2003). Existing knowledge is assumed to have the capacity to affect both the ability to search for information and the ability to take advantage of elements of coincidence or luck. Furthermore, both the discovery and creation of opportunities may be supported by the existing knowledge of the discoverer.

Despite Shane (2000) states that opportunities are discovered without actively searching for them, he also supports the notion that prior knowledge is a pre-requisite for discovery. The discovery of entrepreneurial opportunities depends on prior knowledge, and people will be more likely to discover opportunities in sectors that they know well.

Individuals who have developed particular knowledge through education, personal events, and work experience -idiosyncratic prior knowledge- are better able to discover certain opportunities than others. Therefore, all individuals are not equally likely to recognize a given entrepreneurial opportunity. The prior distribution of knowledge in society influences who discovers these opportunities.

In sum, for opportunities to be discovered there must be a fit between an entrepreneur's prior experience and a venture opportunity. Prior experience must overlap with the knowledge domain of the venture opportunity (Fiet & Patel, 2006). Shane (2000) takes into consideration the mentioned fit or overlap and proposes to assess the knowledge possessed by the entrepreneurs instead of identifying the knowledge needed to launch a new business.

Conclusion

An early step along a prospective entrepreneur's path to beginning a new business is the identification of an opportunity to pursue. In essence, the would-be entrepreneur must recognize that society currently deploys resources in a sub-optimal manner, so that a benefit exists to mobilizing and then reconfiguring them for use in a different capacity. In many instances, opportunity recognition results from an entrepreneur's creative insight into a new way to fulfill an unmet need. But even in well-established and highly visible industries, much of the information that serves as a necessary input to the creative process is available only to those with extensive industry experience. In part for this reason, considerable evidence reveals that nascent entrepreneurs most likely develop new ventures in domains in which they have broad work experience (for an early statement of this argument, see Brittain & Freeman, 1986).