

Entrepreneurial Ecosystem and the Concept of Opportunity in Entrepreneurship

Author:

Prof. U. T. Rao, Research Scholar, GLS University, Ahmedabad

Abstract:

This paper explores the concept of opportunity in entrepreneurship and the role entrepreneurial ecosystem plays in identification of the opportunity. It is said that without the opportunity and identification and exploitation of the opportunity, there is no entrepreneurship. Though, there have been some attempt to study the opportunity and opportunity identification; there are no studies on the role of entrepreneurial ecosystem in helping entrepreneurs to identify, recognize, develop and make the most of the entrepreneurial opportunity.

The paper identifies how different elements of the entrepreneurial ecosystem in general can help entrepreneurs to identify opportunities and specifically how different elements of entrepreneurial ecosystem within the context of the educational institutes to foster entrepreneurship around the idea of opportunity. It also highlights the research gap to study the nexus between the role of opportunities in the entrepreneurial process and the entrepreneurial ecosystem.

Key Words:

entrepreneurial ecosystem; opportunity identification; entrepreneurship; education

Introduction:

As a matter of fact, historically entrepreneurship research had a tendency to focus on the entrepreneurs and sometimes entrepreneurial process. The emphasis in general has been on the entrepreneurial behaviour, intentions, role of government and many such areas. However, in the recent years the role opportunities and the concept of opportunities play has been researched and have been receiving more and more scholarly attention in the recent years.

At the same time, entrepreneurial ecosystem related research also has gained a lot of interest by the research scholars in the recent years. The need is to juxtapose the understanding and learning of the concept of opportunity and the various elements of entrepreneurial ecosystems.

It has been a well-researched that opportunities are one of the key concepts and elements of the entrepreneurship research and that has defined the frontiers and discussion of the entrepreneurship field. (Busenitz, West, Shepherd, Nelson, Chandler, & Zacharakis, 2003).

It is interesting to note that in spite of the evaluation and the emergence of opportunity as an important and core concept for entrepreneurship researchers, there is no much of agreement about the definition and nature of opportunities (Hansen & Shrader, 2007). In fact, the major difference is around the disagreement on the core issue: whether the opportunities are discovered or the created. Though, in practice we have accepted that there are two approaches to opportunity identification: Creation and Identification – however in the academic research this needs more emphasis.

Opportunities are also viewed as the result of the creative process; the process that is iterative and gradual that evolves as the synthesis of entrepreneurial ideas over time (Dimov, 2007). There are few researches that are primarily

concerned with the role of opportunities in creating new ventures (Baron, 2008). At the same time some definitions have emphasized opportunity as the chance to introduce innovative goods, services, or processes (Gaglio, 2004)

Based on the central role played by the opportunity in entrepreneurship, there is a need to understand the concept of opportunity and summarize what we know – the knowledge about the concept as the base for further advances in the research. This paper seeks to offer two contributions: first, it studies a detailed review of insights about opportunity and the various other elements like the processes, concepts and the systems surrounding it appearing in the entrepreneurship research studies and the second, it identifies the role of entrepreneurial ecosystem around this.

This paper is an endeavour to consolidate past research and to set the stage for further research work in the area of entrepreneurial ecosystem and the concept of opportunities. In general, I believe that insights about opportunities studied in the entrepreneurship literature could be studied from other relevant research in other fields and topics of entrepreneurship. This collaborative work on the entrepreneurship research would contribute to develop new ideas that leverage insights about the concept of opportunities within other areas of entrepreneurship research and leading to new entrepreneurship questions and scholarly work.

Research on Entrepreneurial Opportunities

In order to examine past research studies, I identified 40 conceptual and 28 empirical research papers. Large part of these, papers and articles were found in three entrepreneurship journals—Journal of Business Venturing, Entrepreneurship Theory and Practice and Strategic Entrepreneurship Journal. Some of the other outlets for publishing research that is relevant to the concept of opportunities include: Journal of Management Studies, Academy of Management Review, Journal of Management, and Management Science, Academy of Management Journal, Organization Science, Organization Studies, and Strategic Management Journal.

In this section, I present some of the selected conceptual articles on opportunities. Entrepreneurship. They have used different theories and methods in opportunity research. As a part of this research paper, it was found that the research on the concept of opportunity and the opportunity construct has embraced many theories: coherence theory, creation theory, discovery theory, organizational learning, social cognitive theory, and structuration theory. However, there is a need to develop and build theory on other opportunity-related processes, such as opportunity creation, discovery, recognition, exploration, and exploitation especially while embedding other elements of the entrepreneurial process. As discussed, in this paper I have presented some of the selected research studies that examined the concept of opportunity.

Gaglio (2004) by using the social cognition as the base explained ‘Opportunity’ concept as the processes of mental simulation and counterfactual thinking provide the mechanisms by which opportunities are identified and developed. Based on the Strategic Entrepreneurship framework Ireland, Hitt, & Sirmon (2003) found that small firms are generally better at identifying opportunities but less adept at appropriating value by developing competitive advantages.

Chiasson & Saunders (2005) used the structuration theory as the base and concluded that opportunity recognition and formation are complementary, rather than contrasting explanations for the existence of entrepreneurial opportunities. Corbett (2005) juxtaposed the experiential learning theory and concluded that individuals with different learning modes will perform better in regard to different parts of the opportunity identification and exploitation process.

Lumpkin & Lichtenstein (2005) studied that there are three approaches to organizational learning (behavioral, cognitive, and action learning) to develop a creativity-based model of opportunity recognition that includes the discovery and formation phases. Using the social capital theory De Carolis & Saporito (2006) developed a model suggesting that the interplay of social capital and cognitive biases explains why some people exploit opportunities whereas others do not.

Dimov (2007) worked on the creativity theory and found that the generation of opportunities is a function of contextual and social influences rather than the insights of a single individual. Using complexity science as the base Schindehutte & Morris (2009) found that the strategic entrepreneurship involves both exploration and exploitation of opportunities.

Choi, Lévesque, & Shepherd (2008) worked on the “Timing of exploitation” theory and concluded that the timing is a critical factor when transitioning between the opportunity exploration and exploitation. Van de Ven, Sapienza, & Villanueva (2007) concluded that the entrepreneurs who consider both collective and self-interests are more likely to recognize and/or create opportunities.

Hsieh, Nickerson, & Zenger (2007) concluded that the opportunity discovery is a problem-solving process where an organized search leads to answers about unsolved problems. Cohen & Winn (2007) found that market imperfections lead to opportunities for the creation of new technologies and business models.

Based on the Austrian economics theory, Chiles, Bluedorn, & Gupta (2007) examined the concept of opportunities and found that entrepreneurs engage in a process of creative imagination in which opportunities are exploited by continuously combining and recombining intermediate goods to produce consumer goods.

Alvarez & Barney (2007) focused on the discovery theory and the creation theory and concluded that they provide competing explanations for how entrepreneurial opportunities are formed. Ardichvili, Cardozo, & Ray (2003) found that the personality traits, social networks, and prior knowledge are antecedents to the entrepreneurial alertness needed to recognize, evaluate, and develop opportunities.

Entrepreneurial Ecosystem and Opportunity

Mason and Brown (2014) defined the entrepreneurial ecosystem as a set of interconnected entrepreneurial actors, entrepreneurial organizations such as firms, venture capitalists, business angels, and banks, institutions for example universities, public sector agencies, and financial bodies, and the entrepreneurial processes which includes the business birth rate, numbers of high growth firms, number of serial entrepreneurs, degree of sell-out mentality within firms, and the levels of entrepreneurial ambition; which formally and informally unite to connect, mediate and govern the performance of the entrepreneurs and the entrepreneurial ventures within the local entrepreneurial environment in a given setting.

Isenberg (2011) presented the entrepreneurship ecosystem as dozen or so elements (which we consolidate into six domains for convenience sake; see the diagram) that, although they are idiosyncratic because they interact in very complex ways, are always present if entrepreneurship is self-sustaining. So, although the combinations are always unique, in order for there to be self-sustaining entrepreneurship,

It is evident from these two viewpoints towards entrepreneurial ecosystem that entrepreneurship and new ventures germinate in the proper ecosystem. It has already been stated in this paper that the opportunity is an integral part of the entrepreneurship. The research question that arises is how entrepreneurial ecosystem could enhance the opportunity recognition or the creation skill of the entrepreneurs.

Entrepreneurial ecosystem, especially the educational institutes have a great role to play in providing the experiential learning. As per the work of Corbett (2005) individuals with different learning modes will perform better in regard to different parts of the opportunity identification and exploitation process. Now, the universities and the educational institutes with curriculum created around different learning methods could help the potential entrepreneurship in opportunity identification.

Further, building on the work of Cardozo, & Ray (2003) who found that the personality traits, social networks, and prior knowledge are antecedents to the entrepreneurial alertness needed to recognize, evaluate, and develop opportunities. The entrepreneurial ecosystem could create events, meet-ups and social connection to provide social networks to the students and potential entrepreneurs. This has been an essential element of the entrepreneurial ecosystem which has also impact on the opportunity recognition.

Moreover, different elements of the entrepreneurial ecosystem could be envisaged that build the knowledge and also the entrepreneurial mindset. It has been the antecedent to the entrepreneurial alertness. And the entrepreneurial alertness in turn is needed to recognize, develop and evaluate the entrepreneurial opportunities.

Universities and institutions are an integral part of the overall entrepreneurship ecosystem. Education programs could focus on enhancing the creativity. Chiles, Bluedorn, & Gupta (2007) examined the concept of opportunities and found that entrepreneurs engage in a process of creative imagination in which opportunities are exploited by

continuously combining and recombining intermediate goods to produce consumer goods. Thus, the education could focus on the development and enhancement of the creativity.

Conclusion

The concept of opportunities is an interesting research question; since it is the base for developing enthralling examination of the various research questions because they are momentary, relatively difficult to identify or create, and it has been a well-researched topic that some people are more successful at exploiting the opportunities than others. Herein, my goal has been to build on the knowledge about this fascinating concept and juxtapose it with the entrepreneurial ecosystem. It would be very useful for the policy makers, academia, and the practitioners to work toward the understanding of the nature of opportunities, their causes, and their effects and also the role of the various elements of the entrepreneurial ecosystem on each of them. Some of the studies can also identify the causal inferences, testing of dynamic processes, and more complex theory building around the concept of entrepreneurship and the entrepreneurial ecosystem. My predominant conclusion is that the researchers in entrepreneurship could investigate entrepreneurial ecosystem from the viewpoint of the opportunity. Not only this, the progress toward understanding the nature of opportunities, their causes, and their effects could be studies from the context of the entrepreneurial system.

References

1. Alvarez, S. A., & Barney, J. B. 2007. Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, 1: 11-26
2. Ardichvili, A., Cardozo, R., & Ray, S. 2003. A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18: 105-123
3. Baron, R. A. 2008. The role of affect in the entrepreneurial process. *Academy of Management Review*, 33: 328-340.
4. Busenitz, L. W., West, G. P., Shepherd, D., Nelson, T., Chandler, G. N., & Zacharakis, A. 2003. Entrepreneurship research in emergence. *Journal of Management*, 29: 285-308
5. Chiles, T. H., Bluedorn, A. C., & Gupta, V. K. 2007. Beyond creative destruction and entrepreneurial discovery: A radical Austrian approach to entrepreneurship. *Organization Studies*, 28: 467-493
6. Chiasson, M., & Saunders, C. 2005. Reconciling diverse approaches to opportunity research using the structuration theory. *Journal of Business Venturing*, 20: 747-767
7. Choi, Y. R., Lévesque, M., & Shepherd, D. A. 2008. When should entrepreneurs expedite or delay opportunity exploitation. *Journal of Business Venturing*, 23: 333-355
8. Cohen, B., & Winn, M. I. 2007. Market imperfections, opportunity and sustainable entrepreneurship. *Journal of Business Venturing*, 22: 29-49
9. Corbett, A. C. 2005. Experiential learning within the process of opportunity identification and exploitation. *Entrepreneurship Theory and Practice*, 4: 473-491.
10. De Carolis, D. M., & Saporito, P. 2006. Social capital, cognition, and entrepreneurial opportunities: A theoretical framework. *Entrepreneurship Theory and Practice*, 1: 41-56
11. Dimov, D. 2007. Beyond the single-person, single-insight attribution in understanding entrepreneurial opportunities. *Entrepreneurship Theory and Practice*, 5: 713-731.
12. Gaglio, C. M. 2004. The role of mental simulations and counterfactual thinking in the opportunity identification process. *Entrepreneurship Theory and Practice*, 28: 533-552.
13. Hansen, D. J., & Shrader, R. 2007. Opportunity: An 11-letter word. Paper presented at the 2007 Babson College Entrepreneurship Research Conference, Madrid, Spain.
14. Hsieh, C., Nickerson, J. A., & Zenger, T. R. 2007. Opportunity discovery, problem solving and a theory of the entrepreneurial firm. *Journal of Management Studies*, 44: 1255-1277
15. Isenberg, D. (2014). What an entrepreneurship ecosystem actually is. *Harvard Business Review*, May 12.
16. Ireland, R. D., Hitt, M. A., & Sirmon, D. G. 2003. A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management*, 29: 963-989.
17. Lumpkin, G. T., & Lichtenstein, B. B. 2005. The role of organizational learning in the opportunity-recognition process. *Entrepreneurship Theory and Practice*, 4: 451-472.

18. Mason, C., & Brown, R. (2014). Entrepreneurial ecosystems and growth-oriented entrepreneurship. Paris: OECD.
19. Schindehutte, M., & Morris, M. H. 2009. Advancing strategic entrepreneurship research: The role of complexity science in shifting the paradigm. *Entrepreneurship Theory and Practice*, 33: 241-276
20. Van De Ven, A. H., Sapienza, H. J., & Villanueva, J. 2007. Entrepreneurial pursuits of self-and collective interests. *Strategic Entrepreneurship Journal*, 1: 353-370