 OPPORTUNITY RECOGNITION AND PERCEPTION OF UNCERTAINTY AMONG ENTREPRENEURS IN CHRISTCHURCH: AN EXPLORATORY STUDY

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Principal Topic
The entrepreneur is required (Keh et al, 2002) to recognise and act upon an opportunity in a context of both risk (eventualities that can be predicted together with an assessment of likelihood of occurrence) and uncertainty: the unpredictable or, more precisely, those feelings which arise when we are faced with the unpredictable, whether stemming from the complex, ambiguous, rapidly changing business environment (Ansoff, 1979) or arising from within the business venture (Pearson, 1991).

Though none provide empirical evidence, Timmons (1999), Snowden (2002) and Baron (2004) all describe how entrepreneurs rely on a process of pattern recognition to identify opportunities, the latter specifying patterns (plural, but no indication of number) formed by changes in the economy and a learned pattern recognition process. Whereas Kirzner (1997), also Gaglio and Katz (2001), hold that opportunities are discovered by remaining alert for economic events unnoticed by others, Drucker (1998) believes that the majority are discovered by searching systematically.

There is a modest literature dealing with attitudes to uncertainty among entrepreneurs (Schere, 1981, Koh, 1996) and their behaviour faced with uncertainty (Jefferson, 1983, Wickham, 2003), mainly adopting an ‘uncertainty avoidance’ stance, and while Maruyama (c.1985) has recognised that individuals may perceive different amounts of uncertainty, we know of no investigation of whether, in practice, seeing (anticipating) more or less uncertainty is a characteristic of entrepreneurs. Likewise, while the existence of uncertainty is a necessary prerequisite to the concept of opportunity, we know of no study that links opportunity recognition by entrepreneurs to their attitudes to uncertainty.

Methodology/Key Propositions

Semi-structured interviews were conducted with 25 subjects demonstrating (a) the ability to recognise at least one viable business opportunity together with (b) an entrepreneurial disposition, having set up a business venture 24 ± 6 months ago in Christchurch NZ, that business still trading successfully.

Information was gathered from subjects as to (1) the amount of and nature of uncertainty they perceived, (2) the number of business opportunities they had identified since start-up, both ‘spin-offs’ from the current business, i.e. where the subject has substantial expertise (Holcombe, 2003) and new, unrelated ventures, and (3) whether they perceived a pattern in those opportunities identified.
Results and Implications

Reflecting the (i) the exploratory nature of the research, (ii) the diversity of entrepreneurs and (iii) the probable existence of multiple and combinatory opportunity recognition processes, a qualitative comparative approach to analysis (QCA, Ragin, 2000) has been adopted, the number of opportunities recognised constituting a fuzzy outcome set and the amount of uncertainty perceived constituting one fuzzy set, out of a range of causal sets. Key features of qualitative comparative approach to analysis include

- AND-OR combination of causal variables, thus accommodating complexity,
- a distinction between necessary and sufficient causes.

Without disproving the systematic search view of opportunity recognition (most subjects were under sufficient time pressure to preclude such a search) preliminary results confirm the alertness model. Preliminary results also suggest that

- ‘spin-off’ opportunities are more frequently perceived than ‘new venture’ opportunities
- perception of uncertainty is a necessary cause of opportunity recognition.

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References