A study of factors affecting opportunity recognition process—Case Study of Pakistan

An opportunity recognition process Framework

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ABSTRACT
This paper builds on existing theoretical and empirical studies in the area of entrepreneurial opportunity identification and development. It identifies entrepreneur’s social networks, previous work experience, prior knowledge, systematic search and vicarious learning as antecedents of entrepreneurial alertness to business opportunities. Entrepreneurial alertness is a necessary condition for the success of the opportunity identification triad: recognition, development, and evaluation. A theoretical model for opportunity recognition process and suggestions for further research are provided.

Key words: Opportunity Recognition Process Model, Transition Economies, Case Study, Small & Medium Sized Enterprise, Pakistan

JEL Classification: M13

1. Introduction:
During the last fifteen years, there is a growing interest in the field of entrepreneurship, new firm creation, its development stages and factors affecting the phenomenon. It is mainly because of the vital role the small and medium enterprises play in the nation’s economic development. The research done is concerned with the wide range of questions such as who is an entrepreneur, are entrepreneurs different from others, why do many attempts to start an enterprise fail, what distinguishes successful from non-successful entrepreneurs, where and when are the new firms created, what is the impact of these new firms on the economic development of the nation?

The pre-firm generation activities and the factors leading to it specially in context of transition economies like Pakistan are not fully explained, that’s why in this research we tried to cover this gap by studying the factors leading
the phenomenon of new firm creation i.e. opportunity recognition, the stages of opportunity recognition process and factors affecting the phenomenon of opportunity recognition process.

Opportunity recognition has been cited as a central and unique component of entrepreneurship. It is the first stage of entrepreneurial process. Given the growth and role of entrepreneurship today, it is becoming increasingly important to understand how new entrepreneurship opportunities are developed and how individual differences play a role in the discovery of these opportunities. The objectives of this study are to obtain a rich understanding of the factors affecting the phenomena of opportunities recognition. In this study we intend to fill this gap in the literature by examining how social networks, prior knowledge, search process and experience influence the opportunity recognition process and develop a feasible framework for describing the process in more understandable form.

Opportunities are there all around us, we just need to find it and we do it especially when there arises any problem and we want to solve it through new means. For this the individuals must be clear about the market needs, underemployed resources and the individual’s capabilities to create value for their customers and a “fit” between market needs and underemployed resources to be utilized effectively and efficiently. It is true some peoples recognize viable business opportunities while many others see only problem around them. Opportunities are everywhere around us, yet many of us do not aware of them. Entrepreneurs, however have the sharp sense to see what others cannot.

Opportunity recognition is being considered to be a central part of entrepreneurial process. A large number of scholars termed it as an initial step from which the other steps of new venture creation flow. Opportunity recognition process has been studies by different authors through a variety of theories, models and perspectives. Many authorities in this area like Venkataraman argued that in the field of entrepreneurship the most neglected area is the opportunity sources and its recognition phase. In this research we will try to uncover some of the facts about this neglected area and will cover the gap.

The focus of existing study will be to take a detailed insight in the opportunity recognition process, its stages and the factors effecting on this phenomenon. It is a vast field to study therefore the only one person cannot get the full insight into these areas, but this study will assist others to identify further areas and factors to be researched to gain more rich understanding about these topics.

• What is a feasible framework describing the phenomenon of opportunity recognition process?
• How do different factors affect the opportunity recognition process?

2. LITERATURE REVIEW

Opportunity recognition is a multi-dimensional phenomenon and got a little focus in the academic research. When, why and how individuals recognize certain opportunities is a function of the joint characteristics of the process and nature of the individuals. The following figure is put to indicate the primary factors suggested by different researchers creating the influence on the opportunity recognition process. This is to provide a roadmap illustrating the relevant literature done on this phenomenon in this study.

One main issue raised from the literature was the lack of clarity with respect to the concepts and elements of the opportunity recognition process. For example some writers and authors mixed the terminology of idea and opportunity that are being the two different constructs, but used interchangeable.

Gaglio & Taubs (1992) literature was first seen to enhance the knowledge and uncover the facts of this phenomenon. During their study they focused upon the cognitive skills and strategies in the process and gave the difference between the samples.

Hills (1995) also contributed towards the further exploration of this process. He conducted the pilot study of serial entrepreneurs. This study addressed the number of issues with respect to the opportunity recognition, including the stages and step by step evaluation of the process. In this study 90% of the respondents agreed that the opportunity recognition was a step by step process, each step with different learning perspectives over the time rather than a onetime phenomenon. More than half also agreed that a number of opportunities are available that have to be evaluated, was also a stepped process.

Kirzner (1973) was the first who used the word alertness for the explanation of entrepreneurial opportunity recognition process. Ray & Cardozo (1996) argued that the recognition of opportunities is highly dependent upon
the state of a person mental alertness towards any new information and change in the market. Shepero (1975); Sathe (1989); Hisrich (1990) observed the entrepreneur’s special sensitivity towards new patterns, information, problems and reallocation of resources.

Hill (1995) considered how entrepreneurs evaluate different ideas and opportunities to take into action. He said that the evaluation of entrepreneurial opportunities is mostly based on the entrepreneur’s gut feel rather than some formal evaluation frameworks to be considered. Singh, Hills and Lumpkin (1999) addressed that 91% of the studied population agreed that the opportunity recognition is really a many learning steps process rather than onetime assurance.

Granovetter (1985) and Burt (2000) suggested that the characteristics of the individual entrepreneur are tending to be based on two categories, a solo activity in which entrepreneur is an opportunistic person and had a good feel about the market and second the network activity in which the entrepreneurs learnt about the particular opportunities by their contacts with the other members of the society, they access the viability of those opportunities through open discussion and on trial and error basis.

Schrader examined the multiple dimensions of opportunity recognition in his study by taking a group of exceptionally successful entrepreneurs and a control group of randomly selected entrepreneurs.

Long & Mcmullan (1984) suggested that the process of opportunity recognition as being at least partially under the control of entrepreneur. They said that in order to gain the potential benefits of an opportunity the entrepreneurs did the significant amount of preparation and because of this preparation it made inaccessible for others to recognize that particular opportunity.

Lumpkin and Lichcenstein (2005) in their several studies recognized that opportunity recognition is a unique application of the creative process rather than a multi-dimensional phenomenon as described by the previous literature. They proposed a model having the elements of creative process as introduced by Wallas (1926) and a fifth element of elaboration introduced by Kao (1989).

2.1 Opportunity Recognition Process:

According to Wallas (1926) and Kao (1989) opportunity recognition is a five step process model: Preparation stage, Incubation stage, Insight stage, Evaluation or verification stage, and Elaboration stage.

Schwartz & Tech (1999) in their study reported a model of opportunity recognition process on the basis of Gaglio, Taub, Hills, Lumpkin and Sign contributions. They proposed that there is a general model of opportunity recognition and exploitation that may be unchanged overtime. They took the sample of sixty eight firms and suggested the steps of opportunity recognition and exploitation. They also found out that within these steps, there might not be a continuous flow and any of them can be skipped or reworked as per industry specifications. A further elaboration divided the opportunity recognition process into two phases; generic opportunity recognition phase and the situation opportunity recognition phase, in generic phase everyone may agree that something is an opportunity while in other phase it may not be an opportunity for everyone. These two phases are related more with the evaluation stage of the process.

The most referred model in the literature of entrepreneurship is proposed by “Timmons (1999)” . In his work he proposed three driving forces of entrepreneurship on which the successful opportunity recognition exploitation and new venture creation is based. The “entrepreneur” is put in the heart of the model because it is the driving force for the whole entrepreneurial process to be continued and seeking to maintain the balance between the other three components of the model; first component is the team or organization, on the coordination and harmony of which the whole process is based on i.e. the process of new firm creation. Second, the resources in the form of money, skills, efforts, knowledge or the physical assets those are to be invested by the entrepreneur and its team. The better the combination of the allocated resources better the results in the production will be achieved. Last component is the opportunity itself, its types, sources, forms, recognition and exploitation of it.

De-koning (1999) proposed a socio-cognitive perspective of opportunity recognition process, that describe how new opportunities are evolved through three cognitive activities of entrepreneurs that are; information gathering, thinking through discussion with others, resource assembling at assessment. He argued that entrepreneur social context has
remarkable effects on the quality and quantity of the suitable opportunities to be recognized, along with the impact of cognitive creativity.

Some cognitive based studies have focused on the “risk-taking propensity” of the entrepreneurs as Scott & Shaver (1991) pointed out that entrepreneurs have been found searching for new means and are by nature risk-takers, which can not be found in the managers as they donot dare to take risk by recognizing the new opportunities and remain only concerned with the profits. They analyzed that entrepreneurs when put in uncertain scenarios, optimistically explore the different informational cues as compared to the managers who tried to avoid uncertainties and troubles.

The socio-cognitive perspective added a value able insight in the literature of entrepreneurship and helped to understand that how individuals identified and exploit opportunities with the combination of cognitive and social activities. But the other important aspect given by Andrew C. Cohbett (2005), that how individuals learn and how different learning perspectives influence the opportunity recognition and exploitation process. The “learning asymmetries” concept is given that none of the early discussions or current articles on the opportunity recognition process (Ardichvili, 2003) explained the learning perspective.

2.2 Factors Affecting Opportunity Recognition Process:

Literature identified many factors those can leave immense effect on the opportunity recognition process. Few of them are discussed below:

2.2.1. Social Ties

Social ties increase the probability that the individuals will recognize more new entrepreneurial opportunities. The individuals must have a past access to different types of resources and information to recognize the profitable business opportunity and this is facilitated through the social ties of the individuals. The required resources and information about the suitability of recognized opportunities is obtained by the social ties of the person such as the information about the feasibility of different opportunities, the sources of business opportunities, trustworthy investors and suppliers, production and marketing locations etc (Birley and Westhood 1994).

So we can postulate our first preposition as

Preposition 1: Informal contacts of the entrepreneur are positively related with the opportunity recognition process

2.2.2. Previous Work Experience:

Work experience of the entrepreneur mobilizes the process of synthesizing the opportunity recognition process. Work experience can be of two types, career or employment experience and general business experience.

2.2.3. Career Experience:

Through any type of career experience people gather different types of Information, skills and capabilities that facilitates the formulation of entrepreneurial strategy, acquisition and re-allocation of resources and processes of production and organization. The career experience reduces the doubts about the value attached with the entrepreneurial opportunities to be recognized and exploited and it increases the entrepreneur’s expectations to gain profits from those opportunities (Shane and Khurana 2003).

2.2.4. Functional Area Experience:

Functional area experience of the individuals refers to their prior experience of employment (Job) in past at any functional area of the business such as in marketing department, management and production department. The experience in other areas as accounting and finance department was not fund to be positively correlated with the recognition of opportunities and new firm development. But the experience in marketing, management and production systems are considered comparatively more important towards recognition of opportunities than the experience in other static areas. Several studies supported this argument as Klepper and Sleeper (2002) studied the firms engaged in laser activities and analyzed that all the founders of the firm had a previous work experience in the relevant technical fields.
2.2.5. General Business Experience:

General Business experience increases the probability that a person will recognize any entrepreneurial opportunity more than anyone else. Through general experience people learn about many basic aspects, terminologies and foundations of Business development. People learn about the different informational cues related to the market disequilibrium, trends and changes and get a lot of knowledge about the basic terminologies of sales, finance, accounting, technology, marketing, management and many other fields (Romenelli and Schoonhoven 2001; Klepper and Sleeper 2001).

2.2.6. Start-Up Experience:

Prior experience of starting a new venture is the sign of past successful opportunity recognition which in turn increases the capacity of the individual effort to successfully recognize and exploit the viable business opportunities. In the process of new firm creation the entrepreneur already learned about the overall process of opportunity recognition and exploitation, from the opportunity recognition phase to new business creation phase. Many of the required skills to recognize different market opportunities can be learned through previous work experience, functional area experience and industry related experience. But much of the other required information, skills and abilities are enriched only through the “practically doing” something that is possible through a successful startup experience (Campbell 1985).

This discussion helps us to draw other prepositions:

Preposition 2: Previous work experience of the owner is positively related with the opportunity recognition process

Preposition 2a: Previous functional area experience of the owner is positively related with the opportunity recognition process

Preposition 2b: Previous startups experience of the owner is positively related with the opportunity recognition process

2.2.7. Prior Knowledge:

Prior knowledge of the individuals provides an absorptive capacity to reshape the existing and new informational cues in a better and profitable way. People give attention to those particular pieces of information about specific opportunities about which they possess prior knowledge. The value of new opportunities is assessed on the basis of this prior knowledge and information.

It is argued that the existence of the entrepreneurship is the outcome of the information asymmetries exists in the different parts of the overall market. (Shane 2000) argued that entrepreneur recognize and exploit only those opportunities which are parallel to their existing knowledge which helps them to reduce the uncertainty and failure of wrong selection and recognition of opportunities. All the people do not recognize the same opportunity existing in the current market because everyone possesses different stock of knowledge and information. Each individual’s existing knowledge develops a “knowledge corridor” in response to which the certain opportunities are recognized and others are left. The prior knowledge is considered as a major “edge” for the individuals in terms of recognition of profitable business opportunities. Prior knowledge may be reflected in either form as knowledge about specific interest areas, prior know how about the domain of the new opportunities, market related knowledge, customers and customer’s problems related knowledge.

2.2.8. Knowledge about How to Serve Markets:

Prior knowledge about the ways to serve markets is positively associated with the successful recognition of different entrepreneurial opportunities and eventually the new business development. Ronstadt (1988) supported this argument by his study that the prior knowledge and interaction with different market segments, knowledge about ways of organizing and serving markets is a significant factor that enables individuals to successfully recognize, scan and exploit the new opportunities. The literature tells us the importance of previous knowledge and experience in relation with the “information asymmetries” that directs the overall market directions and imbalances that who will recognize the certain opportunities and who will not.
Boeku and Klepper (2002) explored that the products and services and the technologies adopted by different entrepreneurs were similar as those were practiced by their previous employers. Moreover some studies reflected that the geographical areas served and the potential customers and suppliers were also the same as the entrepreneur’s previous employer used. Cooper et al. (1995) explained that the ideas of the new business and opportunities were mostly taken from the individual’s prior job. It has been found in many studies that the ideas and opportunities that are taken from the individual’s prior job experience and knowledge are positively related with the performance of the new venture.

2.2.9. Customers and Customer’s Problems Related Knowledge:
A number of studies focused the attention of the individual’s prior knowledge about the potential customers, the problems customers encounter and the feedback and demand conditions of potential customers. This particular type of knowledge too is generated through the previous job experience as being the employee in marketing, R&D, production, or any other functional area by which the continuous interactions with the customers and customers’ complaints were made. On the Basis of all that prior knowledge, the individuals take competitive edge and core competencies over others with not having such knowledge and can successfully recognize the new opportunities and venture creation process (Cooper and Dunkelberg, 1986). Many studies found a positive correlation between the successful opportunity recognition process and the prior knowledge of the persons. By having that component of knowledge it provides an “edge” to be sure about the sales of products after the creation of new firm as the previously referenced customers are considered to be the potential customers of this new business (Shane 2000).

This discussion about the prior knowledge helped us to draw few more prepositions as follows:

Preposition 3: The prior knowledge of the entrepreneur is positively related with the opportunity recognition process
Preposition 3a: The prior knowledge of the entrepreneur about the ways to serve market is positively related with the opportunity recognition process
Preposition 3b: The prior knowledge of the entrepreneur about customers and markets is positively related with the opportunity recognition process

2.2.10. Systematic Search for Information:
Given the growth and role of entrepreneurship today, it is getting more important to understand about the emergence and recognition of new business opportunities. One concept that explains the phenomenon of opportunity recognition process is the individual’s alertness towards the search for new and different informational cues. New opportunities in either form, prepackaged or elementary require the individual’s extensive search.

The tendency of vigilant search processes for the emergence of new opportunities enriches the process of new idea initiation and recognition of new entrepreneurial opportunities. Kirzner explain that the search for new information is associated with the mental alertness i.e. the sensitivity of the individuals towards the market changes. He argued that higher the alertness in the individuals higher will be the sensitivity for new informational cues, leading the individuals to search for further information about new opportunities. The search for information is usually about the changes, trends, shifts and different other decisions about the recognition of opportunities.

Search for information may involve three stages:
• Scanning and searching for new information
• Matching and comparing the new information with the previously known information
• Evaluation about the worth of new information that either it can have an opportunity reflection element or not (Alvarez and Busentiz 2001)

Systematic search for the recognition of new opportunities helps to find the existing market gaps and imbalances to be covered through the recognition of these opportunities arose from these gaps. This makes individuals to consider a large variety of options, choices and make unique connection through their access to that information about the particular opportunity.

The information search process by individuals significantly influences the opportunity recognition process as that the individuals may recognize and even create a number of opportunities through their deliberate search process.
rather than the accidental discovery of opportunities. Some empirical evidences suggested that individuals who search for new opportunities either by self or through the combination of their social networks were more likely to recognize the new entrepreneurial opportunities than those who do not go for any search process.

So we can assume preposition as under,

Preposition 4: Systematic search for opportunity is positively related with the opportunity recognition process

2.2.11. Vicarious Learning:

Vicarious learning is a type of observational or social learning. It is a learning process through a function of many observations and behaviors demonstrated by the other members of the society. This learning can also be enhanced through the observation of any “Role Model”. Through vicarious learning individuals learn about the new and different responses. This type of learning can be occurred at any stage in life, but it is mostly reinforced through the childhood observations.

The research proved that many of the necessary skills and information related to the reorganization and exploitation of opportunities can be learned through observing others (Bursetiz and Lau 2000).

Reynolds and Storey (1994) explained that the potential knowledge related to the whole phenomenon of entrepreneurial process can be got through the close observations of other members of the society (Entrepreneur, parents’ relatives’ friends etc). To support this argument some researchers suggested that the children of entrepreneurial parents should be more intended to recognize new entrepreneurial opportunities because they have observed their parents engaging in the process of opportunity recognition and exploitation (Holtz, ). Burk et al. (2002) addressed that people engaged in the observations of others behaviors were found to be more successful in the recognition and exploitation of valuable opportunities.

So this helps us to postulate our final preposition as under,

Preposition 5: The vicarious learning of the entrepreneur is positively related with the opportunity recognition process

3. Research Methodology

Most of the previous research has focused only on the effects of the cognitive patterns of individuals towards the exploitation of new entrepreneurial opportunities and the creation of new venture. Work on other like social or contextual factors has been often neglected in research. Therefore we decided to select this overlooked area to have a deep insight in context of Pakistan because no work has been found here about this phenomenon.

This study took the help of Yin’s (1989) and Eisenhardt’s (1989) approach for selection of case study method. Case study research methodology provides an in-depth understanding about the different variables and the issues related to the phenomenon under consideration. It can extend the experience and knowledge of the researcher and add the strength of the data previously known through the literature review. Case studies refer to have a detailed contextual analysis of a limited number of variables, events and their relationships.

We used multiple-cases. Strauss and Corbin (1990) and Yin (1989) both used multiple-cases but it is Eisenhardt (1989) highlighted the theory building properties. The multiple- case approach encourages the researcher to study patterns common to cases and theory and to avoid chance associations (Eisenhardt, 1991). Eisenhardt (1989) also point outs that in the multiple-case approach there is no ideal number of cases, but recommends between four and 10 cases. With fewer than four cases, theory is difficult to generate, and with more than 10 cases, the volume of data is difficult to cope with. As recommended by Eisenhardt (1989) the selection of firms is based on the fact that they are having totally different in characteristics. Their industry and characteristics of market are different from each other and they are working at different levels of internationalization.

Each firm was chosen by replication logic rather than by sampling logic. In other words, the sample was selected because of the literal and theoretical replication; they were not the true representative of the population as suggested by quantitative approach to research. By choosing small- to medium-sized firms, it was easy to access decision makers. Each case was carefully selected so that it predicts different results for expected reasons (theoretical replication).
4. Cases Profile:
Table 1 provides full insight of case profile and the arranged summary of information provided by them.

5. Analysis & Discussion
According to the objectives of the study under consideration, the cases have been interviewed to have detailed information about the respondent. As the topic of the study is based on the individual differences affecting the phenomena of opportunity recognition, the given prepositions are analyzed on the basis of interviews information.

The researcher found a significant amount of evidences about 1st proposition. It is discovered that the social relationships and contacts of the entrepreneurs of the small and medium enterprises greatly influenced the observed phenomenon of opportunity recognition. Majority of the respondents confirmed that network ties help them to spot the business idea, access the sources of information and marketing tools. The network ties are consisting of weak as well as strong ties, formal as well as informal sources. They help them to acquire all related and necessary knowledge and information to enrich that opportunity and also help them to make it viable for execution of opportunity.

In this regard, the informal contacts are proved to be more supportive as compared to formal contacts and strong ties are proved to be more influential as compared to weak ties. Initiation of a particular business idea, its feasibility, entrepreneurial mind make up for opportunity refinement, resource accumulation, startup, development and growth, at each stage their informal contacts proved to be very helpful for them.

The second preposition of the study relates the previous work experience of the entrepreneur to the opportunity recognition process. It is well supported argument as the previous work experience of the entrepreneur has been found to be positively associated with the opportunity recognition process. 80% of the respondents who had a previous experience and according to them the experience provided them a base to stand in the market place. The related information about customers, suppliers and the opportunity itself was obtained from the previous experience of the entrepreneur.

70% of the respondents possessed the related field experience either by their previous jobs or on the job training. In both ways, it helped them to enrich their minds to assess the opportunity much before others as it helped them to facilitate close interactions in any way with the markets, customers and suppliers. It upturned their understanding about the subtleties of those opportunities which helped them to bring newness in the opportunity exploitation process too.

Among those 70% majority of the individuals were those who learnt that specific experience from their relatives and friends and then later started their own business in the same product line/services. The recognition of that particular opportunity was highly associated with their previous startup experience.

As one of the respondent said that “it was all because of the previous startup experience, I learnt from mistakes and knew how to maximize the potential of each and every opportunity coming on my way”.

Few respondents also possessed unrelated work experience (employment experience), but they believed this diversified work experience also helped them to recognize the opportunity as in previous work they may not be aware of particular opportunity but they know well how to deal with overall opportunity recognition process. Also the unique ideas may come from their social networks on that job too.

The 3rd preposition was related to the effect of prior knowledge of the entrepreneur about business operations, customers and markets on the opportunity recognition process. There was ample evidence found in the support of above stated argument. It was found that the prior knowledge expedites the new knowledge about new opportunities, markets, customers and suppliers. More than 70% of the respondents considered the prior knowledge as a main reason for the selection of particular opportunity. They argued it was better and seemed profitable to go in the familiar field on the basis of their prior knowledge than to go for completely new direction. They utilized their prior knowledge about markets, customers and suppliers for the evaluation and selection of suitable opportunity. Moreover prior knowledge about the procedures and techniques helped them to understand new ways of doing things. As one of the respondent pointed out, “the fact is that I knew the different ways of working through tough situations, so it was very clear in my mind that what can be the root cause of any problem, rather I should say I knew where to find the root cause of any problem”.

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It was proved to be the competitive advantage for the entrepreneur to recognize and exploit particular opportunity with the help of prior knowledge got from related fields. It helps them to gain first mover advantage due to spontaneous discovery of the opportunity. They better understand how to serve and satisfy the customers than those persons who lacked any prior knowledge in the related fields.

Argument about systematic search could not get enough evidence. Majority of the respondents initiated their business by accidental discovery or by chance recognition of that opportunity. They did not have to go for any systematic search process. While working for some job or previous startups, they came across that particular opportunity. They decided to go for those opportunities which were related to their previous experience and knowledge. They only search the processes after the recognition stage of the opportunity. However, there were found few exceptions as well. There were few of the respondents who explored an idea with the help of the networking. And there were few who knew their capabilities and went for systematic search for an opportunity that may match with their potential capabilities.

The next proposition was about the vicarious learning (observational or social learning) of the individuals. We discovered a positive relationship between the observational learning and the recognition of new opportunities. Majority of the respondents spotted certain opportunity due to close observation of their role models. In many cases, these role models become mentors for them. They learnt self-devotion, interest and skills from them. And also learn how to refine any opportunity after discovering them. For some respondents their previous job employees were their role models and for others their parents, friends or relatives were found to be a role model. They said that without this inspiration and prior observation and learning they could not be able to develop their business by recognizing new opportunity.

The social and observational learning of the entrepreneurs was based on those who were self-employed or in either way were earning more than them. On the basis of all this information this proposition is accepted that there is a positive relationship between the vicarious learning and opportunity recognition. The more the individuals observe the self-employed persons more tendency will be found towards new opportunities, their recognition and exploitation and at the end the new firm will be established.

6. Findings of the Study:

Findings are the important part of the research as it helps others to understand the inferences drawn by the researcher. The derived prepositions of the study were tested in relation to the actual facts (primary data) provided by the respondents. And after a discussion on these the following findings are discussed:

- There is found a significant influence of the individual’s previous work experience, his market interactions with customers and suppliers and other entities on the recognition process of new opportunities. The previous experience provided the owner with a confidence and belief that they can go for new business opportunity independently. It helps the individuals to think differently and play with different opportunities coming in the way. The related field experience proved to be more helpful for successful opportunity recognition process then unrelated field experience.

- Most of the respondents recognized those opportunities which were significantly related to their previous stock of knowledge which they gathered throughout their lives. It helped the entrepreneurs to spot, judge and evaluate new opportunity with more precision.

- The opportunity recognition process is enhanced by the social networks of the individuals. Without the availability of the individual’s social contacts, the process of new opportunity recognition cannot be completed. These networks provide support at each phase of recognition process. The informal networks are found to be more influential than the formal ones.

- It is not the necessary case that the individuals are always engaged in a systematic search process. Usually the opportunity is discovered accidently or on the suggestions of others. We can claim that the recognition process is a combination of both systematic search process and accidental discovery depending upon the type and nature of the
opportunity. But the systematic search is found to be effective on later stages of opportunity recognition like judging and exploiting the opportunity.

- The individuals when observe their family members, friends, entrepreneurs and other society members actively recognizing many opportunities they also desire to go for self-employment and start looking for new opportunities. They apply the practices previously observed by their role models to their future endeavors. Vicarious learning boosts up the whole process of opportunity recognition and exploitation.

- Opportunity recognition process is found to be in a sequential manner in which different phases do come in sequence but overlap each other. (Opportunity recognition model is discussed in the end)

- It is found that the decision to go for new opportunities is not always based on the pull factors of the individuals rather it is based on the combination of both pull and push factor by which individuals start looking for new opportunities.

- The psychological factors also influence the opportunity recognition process as previous literature provided.

7. Opportunity recognition framework:
Based upon the literature and interviews with the entrepreneurs, the following opportunity recognition framework is proposed:

The framework is built on the basis of Gaglio and Taube (1996), Singh and Hills (1999) and Schwartz and Teach (2002). They all considered the opportunity recognition as a combined process of different stages. The collective framework is developed through various literature sources and with the support of factual data. According to this suggested model the preparedness emphasizes the importance of controlled and uncontrolled variables that lead the individuals towards new opportunities to be recognized. These all factors helps to build strong foundation for the opportunity recognition process. It is supposed to be the combination of both pull and push factors, each factor affecting the each stage of opportunity recognition process. There are certain controllable and uncontrollable variables (for instance personality, social set up, experience, search process, environment etc) which triggers the process. After the phase of ‘preparedness’, the next phase is ‘vigilance’ in which the individuals spot various new and innovative ideas. In this phase the entrepreneurial ideas becomes worth consideration due to presence of factors mentioned in first phase. Astuteness

Third phase of ‘Astuteness’ highlights the capability of the entrepreneur to judge the potential of entrepreneurial idea to turn into entrepreneurial opportunity. It again is not possible without prevalence of many psychological, environmental or sociological factors. Singh et al. (2000) recommended that it can just take a movement or it can take months to arrive at this stage from the preparedness. As the idea is turned into opportunity, in the phase of ‘Astuteness’, here comes the next phase of ‘Shrewdness’, in which the entrepreneur consider the feasibility of the opportunity. In this phase, besides the formal techniques and feasibility reports the cognitive factors such as gut feeling or intuition are too used along with the support from individual’s social networks, knowledge and experience.

If the opportunity found feasible, the entrepreneur will move on to the next phase of ‘Embellishment’. In this phase, the entrepreneur clarifies the factual position of the opportunity and enriches and enhances the opportunity with the various calculations of the ground realities. So make it viable for execution. Once the ideas and opportunities are conceived they are then evaluated to known the feasibility of each one for the proper selection viable business opportunities. The time period to reach at this stage may too vary from person to person based on the supportive factors, feedback loops and information sources of the individuals.

At each stage of the framework the effects of the controllable and uncontrollable factors go side by side from opportunity recognition to the new firm creation. It is also worth noticing that all the phases are overlapping so there
is no clear cut, concrete distinction possible between each phase. So the whole process of opportunity recognition can be lasted from few minutes to years depends upon the person and opportunity itself.

In the end, the researcher recommended to test this model and check its validity by generalizing it to larger proportion of the population. And test it to different industry and geographical settings.
References


Figure 3 Opportunity Recognition Framework

- **Preparedness**
  - Controllable Factors
  - Uncontrollable Factors

- **Vigilance**
  - Spotting the business ideas

- **Astuteness**
  - Judging the ideas potential of becoming opportunity

- **Shrewdness**
  - Judging the feasibility of opportunity

- **Embellishment**
  - Enriching the opportunity to make it viable for execution
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<th>Case 1</th>
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<td>Interior Designing, Planning</td>
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<tr>
<td>Education</td>
<td>Post Graduate Diploma in restaurant management</td>
<td>MBA</td>
<td>MSC (Accounting and Finance)</td>
<td>BBA-IT and E-commerce</td>
<td>MBA</td>
<td>Completed tenth standard</td>
<td>L.L.B and got trainings in Food related business</td>
<td>F.A</td>
<td>F.A, Auto Cad, Drafting Diplomas</td>
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<tr>
<td>Family Background</td>
<td>Non Business Family Background</td>
<td>The father of the owner was a landlord and mother was a housewife.</td>
<td>Business background: The father of the owner was a business man in wood works and mother was a housewife.</td>
<td>Business background: The father of the owner belonged to the political background and the owner of a floor mill. The mother was a housewife.</td>
<td>Business Background: The father and few other relatives of the owner worked in textile industry and the mother of the owner is a housewife.</td>
<td>Business Background: The father and uncle of the owner worked in same field of car repair and maintenance and the mother was the housewife.</td>
<td>Business Background: The father of the owner was engaged in the activity of silver production from last twenty years and mother was the housewife.</td>
<td>Business background</td>
<td>Non-business family background</td>
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</table>
### Variables

<table>
<thead>
<tr>
<th>Case</th>
<th>Case 2</th>
<th>Case 3</th>
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<th>Case 7</th>
<th>Case 8</th>
<th>Case 9</th>
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<tbody>
<tr>
<td><strong>Opportunity Recognition</strong></td>
<td>Opportunity was recognized because of the suggestions of the entrepreneur’s friends and family.</td>
<td>The entrepreneur recognized that opportunity through his systematic search for it as he had skills and interest in computer services</td>
<td>The entrepreneur accidentally discovers the opportunity by discussion with friends on a personal dinner.</td>
<td>Opportunity was recognized after disappointment from previous job and close interaction with business materials</td>
<td>Entrepreneur preferred to join his family business after completion of his studies</td>
<td>It was hobby of the entrepreneur to check latest models of bikes and cars, his interest enforced him to start that business</td>
<td>The owner found a gap of no fast food availability in the college where he was teaching.</td>
<td>After the serious illness of his father, the entrepreneur decided to join same business</td>
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<td><strong>Previous Work Experience</strong></td>
<td>Worked as an assistant manager in Islamabad Chinese restaurant.</td>
<td>Had a work experience in marketing and finance department of PECO, and as a trading consultant for KSE.</td>
<td>Had managed a lot of private and professional events in student life</td>
<td>Worked with different teachers of blue pottery in their workshop to gain a experience</td>
<td>Work experience in the bank’s job (not related with the recent business establishment)</td>
<td>Got training from his uncle who was providing the services of modification,</td>
<td>No previous work experience</td>
<td>Assist his father since childhood</td>
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<td>Prior Knowledge</td>
<td>The owner possessed all the related field knowledge about markets, customers and suppliers being an employee previously in other restaurants.</td>
<td>The owner and his brother had a prior knowledge about the related field and its applications being previously involved in this field from last six, seven years.</td>
<td>The related markets and ways to serve and coordination skills were already developed before recognizing that business opportunity.</td>
<td>The owner was not found to possess such a business related knowledge. She gained the related field knowledge through her partners’ skills and experience</td>
<td>had a small stock of prior knowledge related to this business through his father being already involved in it</td>
<td>possessed the related market, skills and modification techniques related knowledge due to his personal interest.</td>
<td>No any significant stock of prior knowledge to this field</td>
<td>He possessed a lot of knowledge about the different issues related with the silver production as the market prices of the silver, costs and quality of the X-Rays, suppliers and customers of the silver</td>
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<td>Network Association</td>
<td>The owner used his formal and informal contacts for the betterment of the business. He took different ideas from his friends and relatives and by his personal visits to other restaurants.</td>
<td>The owner used his previously developed contacts with different professionals, customers and suppliers.</td>
<td>He has political family background, so he has a lot of contacts used for opportunity identification and exploitation.</td>
<td>Used informal contacts as family and friends of her and her partners to recognize that particular opportunity.</td>
<td>Had a number of formal and informal contacts through his previous job and education duration as well as his father’s contacts were too available with different market dealers, export agents, customers and suppliers.</td>
<td>the information about potential market and suppliers was obtained through the references of owner’s father and his uncle.</td>
<td>The contacts with different relatives and friends who were engaged in the food market were used to take the information for the business development.</td>
<td>As the owner was involved in this business he had a number of contacts of the different suppliers, customers and workers referred by his father.</td>
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<td>Role Model (Vicarious Learning)</td>
<td>The boss of the owner previous job inspired him to go in this field</td>
<td>No one else proved as a role model for him to go in this field.</td>
<td>His mental associations for new business development were initiated through his father observations and inspiration. He provided a basic support to him.</td>
<td>The owner observed the skills and work of her father’s cousins that was later become her partner.</td>
<td>The father of the owner proved to be a role model for him as he was doing this business from last 20 years.</td>
<td>The father and the uncle of the owner proved to be a role model for him. He observed their business practices and get inspired about starting that similar business.</td>
<td>The relatives of the owner dealing in food related business served as a role model for him.</td>
<td>He was inspired by his father. He too applied the same practices as observed by his father.</td>
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