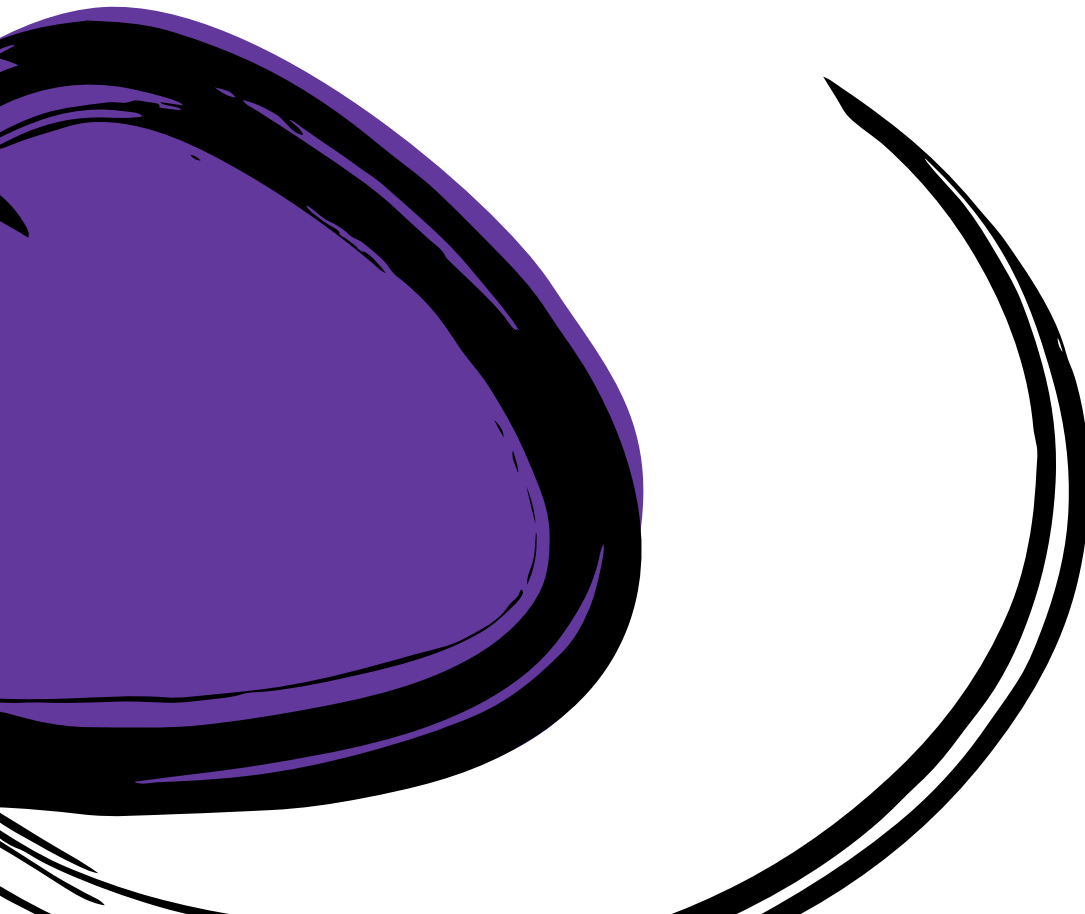


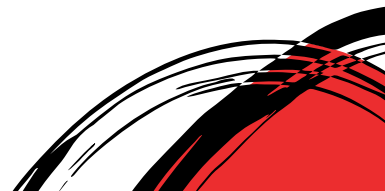
LUBS2045 Week 3 Lecture

Opportunity identification



Overview

- Entrepreneurship involves the nexus of entrepreneurial opportunities and enterprising individuals
- Ability to identify opportunities is a key part of the entrepreneurial process (Shane, 2003)
- Kirzner suggests that opportunities are like dollar bills blowing around in the street, waiting for an alert individual to pick them up (Kirzner, 1973)
 - Opportunity recognition is stimulated by the prospect of profit, which encourages entrepreneurs to seek out activities which assist the economy to adapt to changing conditions
 - It is the prospect of profit from an opportunity that motivates the search that leads to discovery



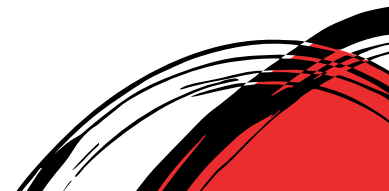
Contemporary Themes in Entrepreneurship Research in Light of Kirzner's Theory

Kirzner's theory

Opportunity discovery	Yes; opportunities exist in the world, waiting for entrepreneurs to discover them.
Opportunity creation	No; entrepreneurs perceive what already exists, but has so far gone unnoticed.
Alertness	Yes; entrepreneurship is the discovery of opportunity, and discovery is spontaneous, not planned (if it could be planned, it could be accounted for in advance).
Search	No; search implies that individuals are already aware of opportunities, so the alert entrepreneur cannot search by definition.
Spontaneous learning/awareness of opportunities (characterized by some authors as "luck")	Yes; because entrepreneurs cannot search, they must be made aware of opportunities by the opportunities themselves.
Specialized knowledge structures	No; if entrepreneurs possessed specific knowledge, they would be actively searching, not passively alert to opportunities.

McCaffrey (2014)

- Alertness is key; not resources
- Ability to identify opportunities is a key part of the entrepreneurial process (Shane, 2003)



GEM – Global Perceptions of Opportunity

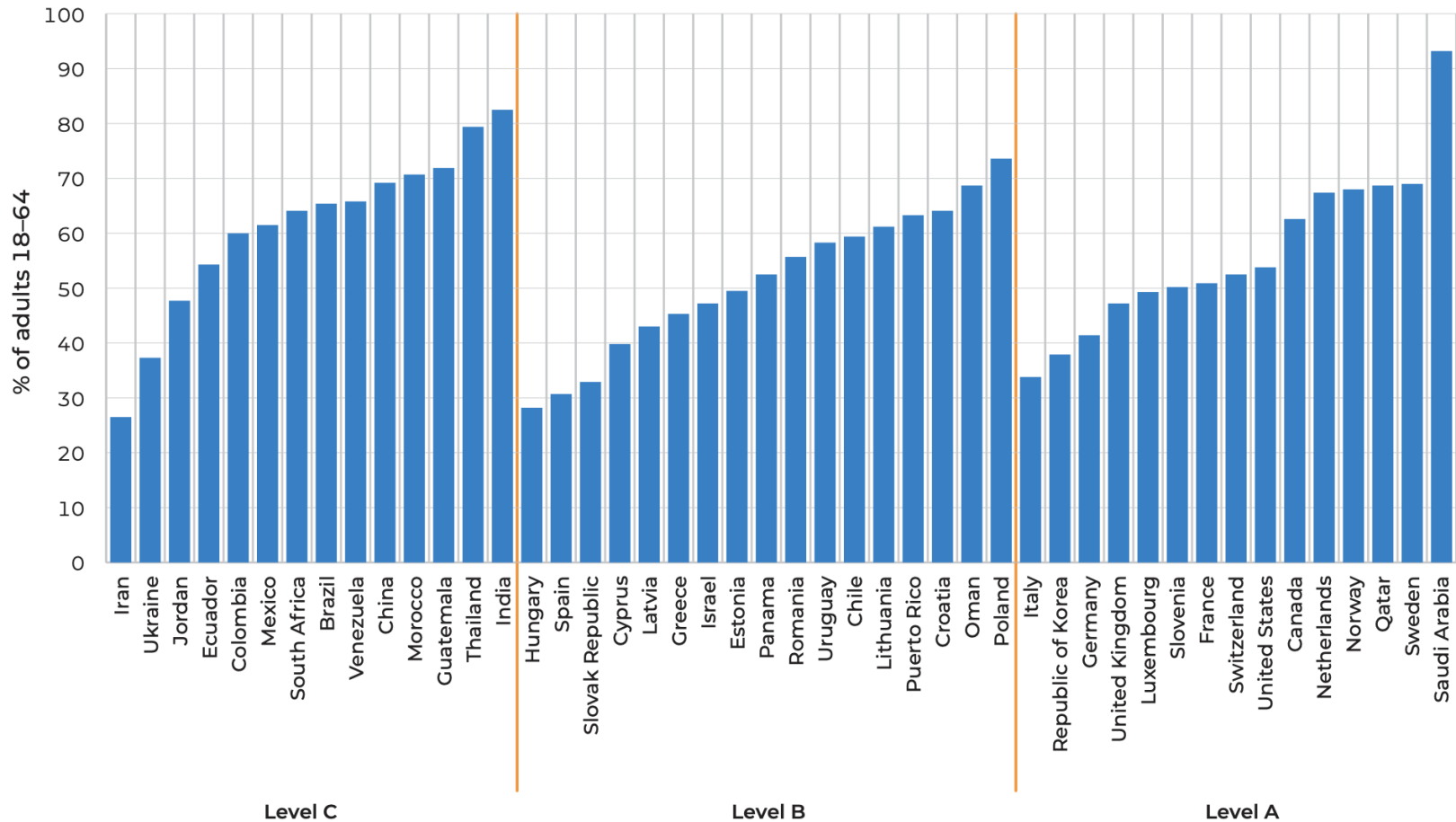


FIGURE 3.3 In the next six months, there will be good opportunities to start a business where I live (% adults agree)

Source: GEM Adult Population Survey 2023

GEM – Opportunity Perception

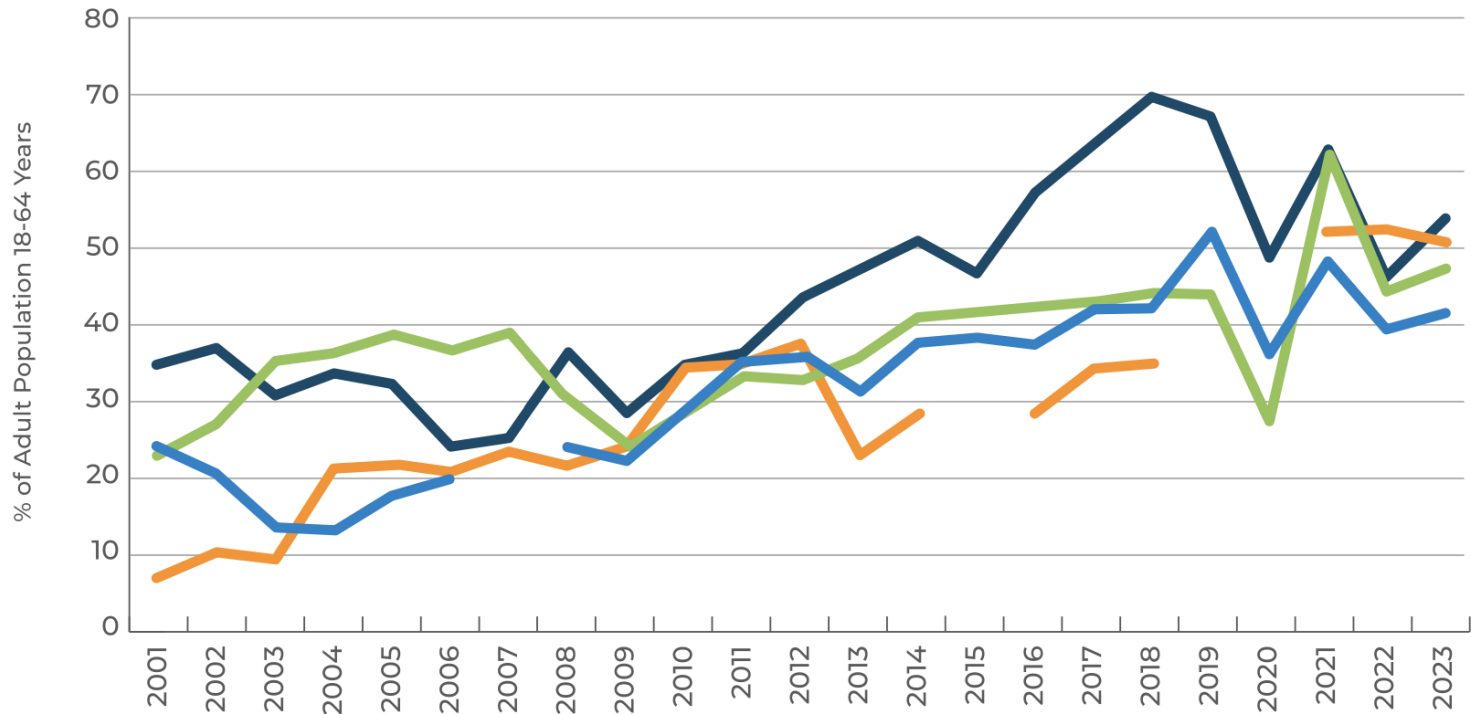
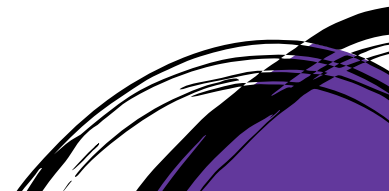


FIGURE 2.5 Opportunity perception: international comparisons (Source: GEM Global APS 2001-23)¹²

- United States
- France
- United Kingdom
- Germany

Sources of opportunity



Different Sources

Business | Schumpeter

Creative destruction in times of covid

Is now the time for entrepreneurial true grit?

- At the simplest level, a stable and growing economy

Ansoff: Shock events

- Arrive suddenly and are unanticipated
- Pose novel problems
- Raise the prospect of major business loss
- Require an urgent special response

Drucker

Within the organisation

The unexpected

The incongruity

Process need

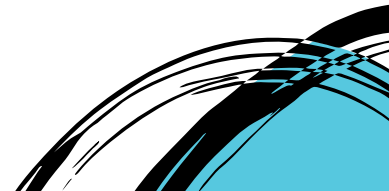
Change in Industry structure

Outside the organisation

Demographics

Perception/mood

New Knowledge



Looking for opportunities

- Mature markets (not an obvious growth market)
- Exploiting the obvious (not always obvious to competitors)
- Creating customer value
 - Offering low cost alternatives
 - ‘No frills’ products and services
- Premium priced products
 - Customers pay more for better product
- Finding a unique edge
 - ‘How can we make money for customers?’
- Impossible markets (anything is possible)



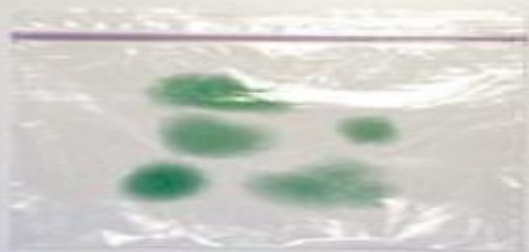
Triggers to opportunities

- Frustration with existing products and services
- Exploiting a hobby
- Starting young with a simple idea or no idea at all
- Responding to a crisis
 - By applying extraordinary effort or concentration



Opportunities in everything





=



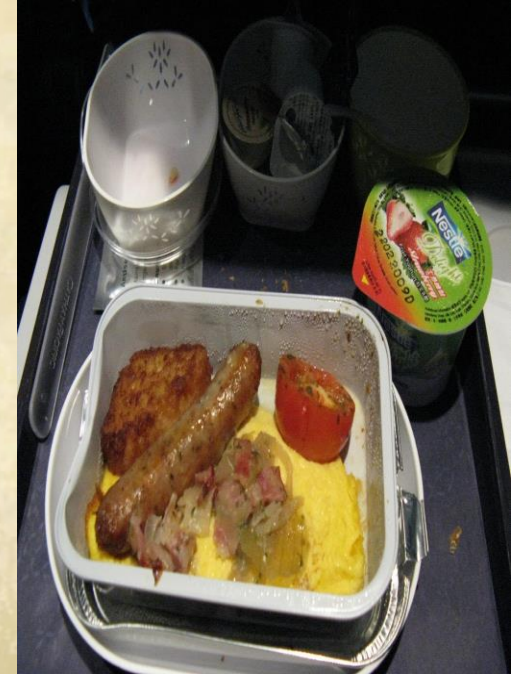


Air Food One
Speisen wie der Präsident



**NUR IN KÖLN UND
DÜSSELDORF!**

ESSEN IM ABO.
IMMER MITTWOCHS. BEI IHNEN ZU HAUSE.



**IMAGINARY GIRLFRIENDS**

REAL GIRLS, IMAGINARY RELATIONSHIPS

You can soon receive personalized love letters by mail, e-mail, photos, special gifts, even phone messages or online chat from your new Imaginary Girlfriend. We won't tell anyone that it's not real!



Ads by Yahoo

Internet Dating Review

Big and beautiful personals. Free to register. A new way to
www.bbpeoplemeet.com

Written Love Letter

Save on Written Love Letter. Compare Products, Prices and
www.dealtime.com

Love Letters Comic

Love Letters Comic. Heritage buys, sells and auctions for
www.heritagecomics.com

WHAT'S NEW?

September 2004

GIRLFRIENDS WANTED!

Are you a fun loving adult women and have high speed Internet access and a webcam? You can join our webcam network and get paid to chat!

[read more](#)

January 2004

NEW GIRLFRIENDS

You can now be notified when new girlfriends are added to our site. Just enter your email address

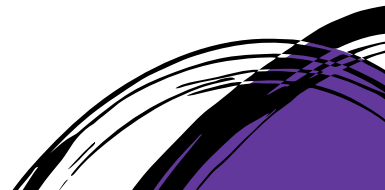
What is an Imaginary Girlfriend?

An Imaginary Girlfriend is exactly that. This is a service provided by a real life girl where she will **pretend** to be your long distance girlfriend by sending you personalized love letters, emails, pictures, leave phone messages (if you want), and provide other girlfriend-like services. This relationship appears real to others that may see these things, but it is not. There will be no actual real life meetings or relationship between you and your Imaginary Girlfriend other than that specified in your order.

Is this for real?

Yes! The Imaginary Girlfriend service is a real service. The letters, photos and services provided by a real life girl that will act as your (imaginary) girlfriend and provide services detailed on this site. The romantic relationship is not real, of course, but can appear very authentic. Anyone who has difficulty distinguishing reality from fantasy should NOT use this service.

Barriers to Opportunity



GEM – Fear of Failure

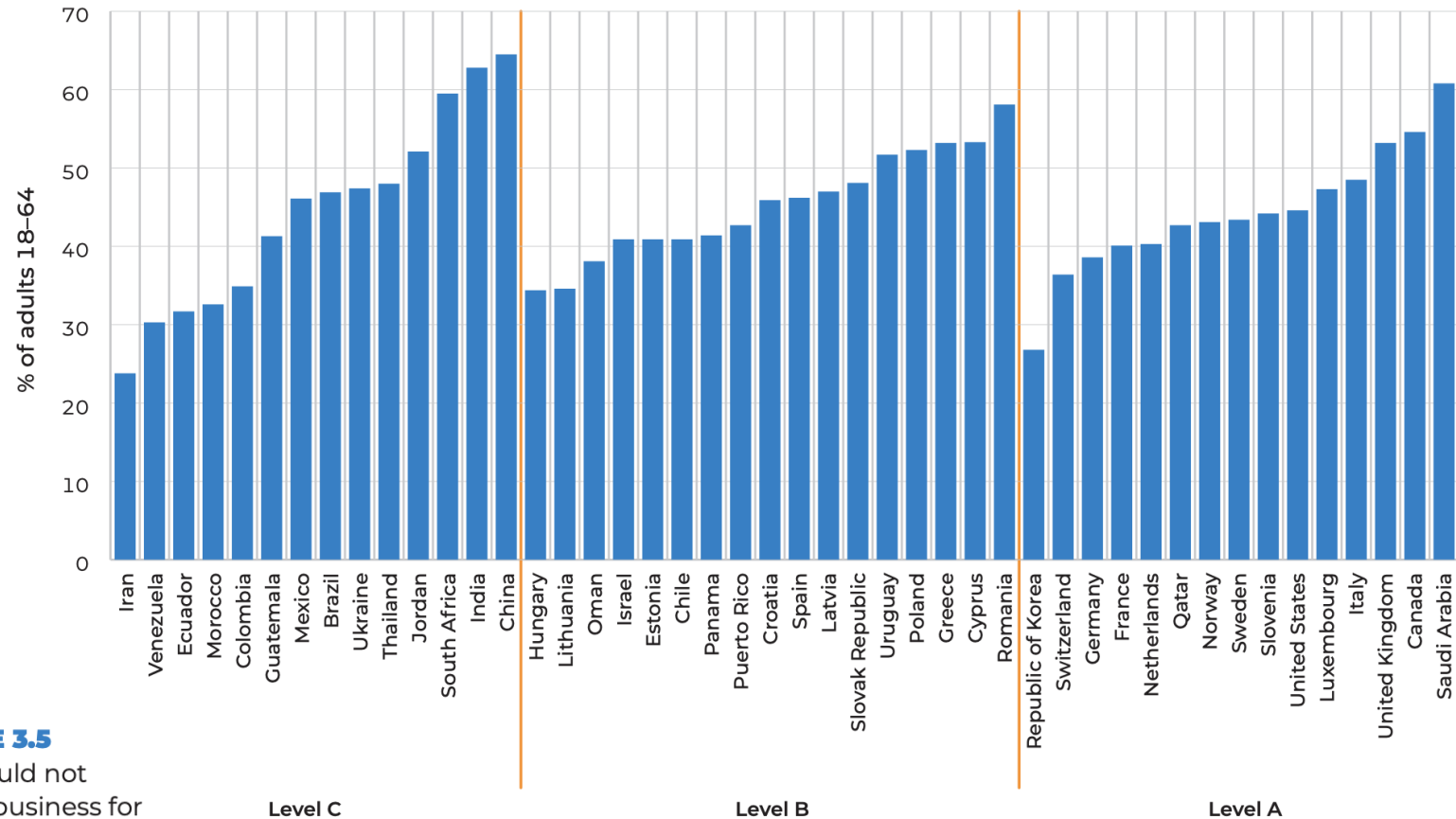


FIGURE 3.5

You would not start a business for fear it might fail (% of those agreeing there are good opportunities locally)

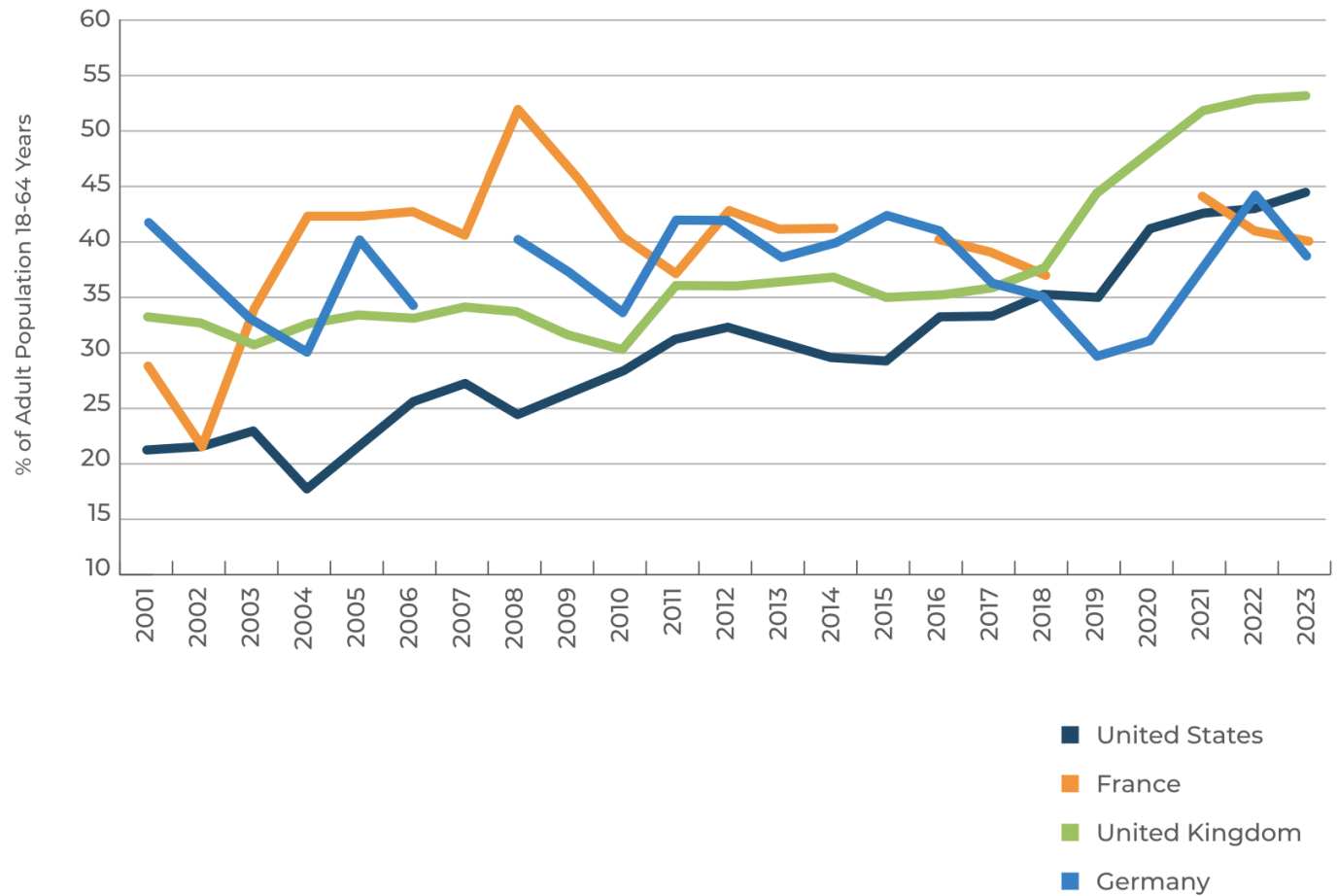
Source: GEM Adult Population Survey 2023

GEM – Fear of Failure

FIGURE 2.7

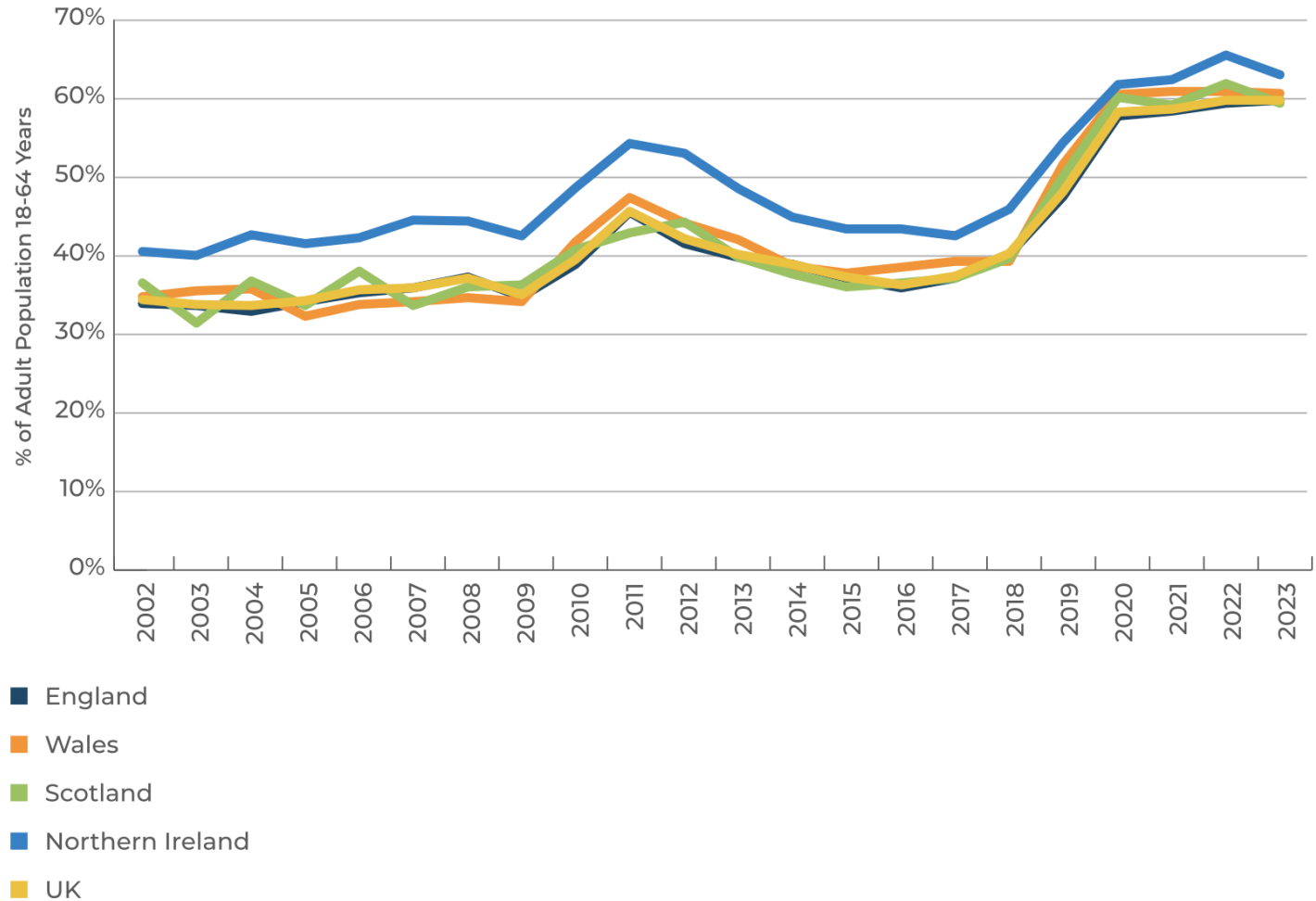
Fear of failure

(Source: GEM Global
APS 2001-23)



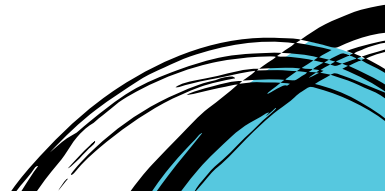
GEM – Fear of Failure (UK)

FIGURE 2.3
Fear of failure by
Home Nation
(Source: GEM Global
APS 2002-23)



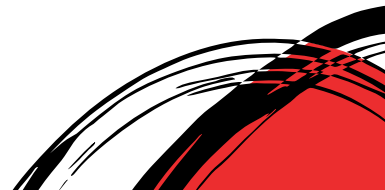
Barriers and solutions

- Developmental barriers:
 - Core rigidities
 - Tyranny of the current market
 - User myopia
- Potential solutions:
 - Diversification (risky but brings a new dimension)
 - Niche opportunities (e.g. higher price for a specific segment)
 - Removing unnecessary features (that add cost but not value)
 - Do better what the employer does (but define 'better')
 - Make connections (between unrelated ideas and areas)

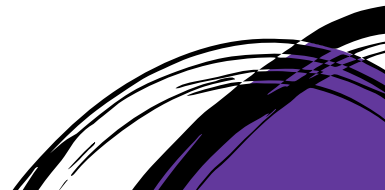


Solutions for firms

- Exploit structural changes in sectors
 - Sub-segmentation of markets
 - Removal of sector boundaries (e.g. financial services)
- Exploit sectors with potential for entrepreneurs (e.g. low entry barriers)
- Organisation structure opportunities
 - Franchising
 - Subcontracting
- Exploit changes in a large organisation
 - Break up of an organisation
 - Look at what others have left behind

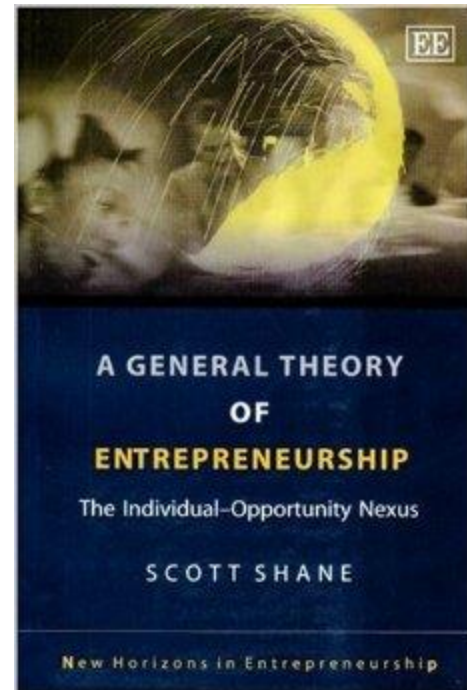


The individual-opportunity nexus



Individual opportunity nexus

- Concept bridges gap between theory and application
- “Opportunity” may appear as an “imprecisely-defined market need, or un- or under-employed resources or capabilities” (Kirzner, 1997)
- Shane’s theory focuses on the prior knowledge and experience necessary for successful opportunity recognition
- Key factors:
 1. entrepreneurial alertness;
 2. Information asymmetry and prior knowledge;
 3. Discovery versus purposeful search;
 4. Social networks;
 5. Personality traits, including risk-taking, optimism and self efficacy, and creativity.(Ardichvili et al, 2003)



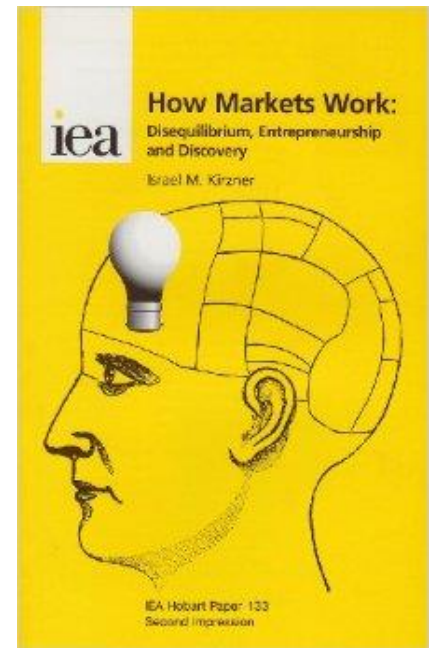
Nature of opportunities

- Opportunities generally arise from changes in the environment in which the entrepreneur operates
- These changes create a disequilibrium which the entrepreneur can exploit
- Three main kinds of Schumpeterian opportunity are identified:
 1. Technological;
 2. Political and regulatory; and
 3. Social and demographic.



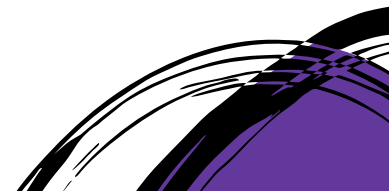
The role of information

- Two main reasons why one person may discover opportunity before others.
 - they have better information,
 - they are able to put a given item of information to better use
- They already possess:
 - Absorptive capacity
 - Intelligence
 - Cognitive abilities



Economic calculation

- “To pursue uncertain opportunities, entrepreneurs must believe that they will gain more than they are giving up. . . . Consequently, when people make a decision to exploit an entrepreneurial opportunity, they do so because they believe that the expected value of exploitation (both monetary and psychic) exceeds the opportunity costs of alternative uses of their time plus the premiums that they would like for bearing uncertainty and illiquidity.” (Shane, 2003, p. 62)



Resource allocation issues

- Fundamental problem is asymmetric information
- Particularly crucial in raising finance
- Potential investors do not have the same information as the entrepreneur
- To convince them entrepreneur must share his/her information with his/her potential backers.
- Cannot afford to do this if he/she cannot trust them not to exploit the information for themselves.
- Potential solutions
 - self-finance
 - use of equity rather than debt finance
 - convertible securities
 - covenants
 - forfeitures and anti-dilution provisions



Opportunity evaluation



- Opportunities evaluated at each stage of their development
- Evaluation may be informal or even unarticulated
- Individuals may informally pursue investigations of presumed market needs or resources
- This 'evaluation' may not be communicated to others until it is taken forward



Final Thoughts

- Opportunities in all situations
- Many triggers to new business creation
- Development can take a long time
- Use of systematic and creative ways of identifying opportunities
- Importance of challenging assumptions
- Develop all aspects of the solution 'offer'
- Exploitation requires strength in knowledge, capability, skills

