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## Critical Factors Influencing Opportunity Recognition and Exploitation

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### Abstract:

When entrepreneurs discovered an opportunity, they take the risk of exploiting it by sourcing resources and applying them to develop the product or service, offer the product to customers through the relevant market, gather the appropriate human resources, and satisfy all the stakeholders. It is therefore important to understand the factors that will influence both entrepreneurial opportunity recognition and opportunity exploitation. This article presented a literature review and findings from the reviewed literature as it relates to critical factors that influence opportunity recognition and opportunity exploitation. The finding might help entrepreneurs understand critical factors that will influence them to discover entrepreneurial opportunity quickly and efficiently, and exploit the opportunity to form a new venture. The information presented in the article might guide researchers to explore more factors that will influence entrepreneurial opportunity recognition and exploitation especially as it relates to specific industries.

**Keywords:** Entrepreneurship, entrepreneurial process, entrepreneurial opportunity, opportunity recognition, opportunity exploitation, new venture formation.

### 1. Introduction:

There are various definitions of entrepreneurial opportunity. Shane and Venkataraman (2000, p. 220) described entrepreneurship opportunity as the “situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production.” Development of new technologies or inventions is considered as opportunities for creating a new venture. Opportunity starts with

simple ideas and metamorphoses into business plan due to entrepreneur’s actions. On the other hand, opportunity recognition involves perceiving the needs of the market, recognizing market needs meets resources, and whether a fit is created between new needs and resources (Ardichvili et al., 2003). The process is not simply recognition but perception, discovery, and creation (Ardichvili et al., 2003).

Stevenson, Roberts, and Grousbeck (1985) described an entrepreneur that can identify and select the right opportunity for a new venture as having the most important of entrepreneurial abilities. Similarly, Ardichvili et al. (2003, p. 106) suggested ‘identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur.’ Therefore, the discovery of opportunities is a vital research requirement by an entrepreneur (Venkataraman, 1997). The essence of identification of opportunities is for the stakeholders of a new venture to obtain value. Opportunities are not found, they are made, but its elements may be recognized (Ardichvili et al., 2003). The entrepreneurial investigation, the sensitivity of an entrepreneur to the needs of the market, and the ability of an entrepreneur to identify the deployment of resources in a gradual manner are factors that will result in opportunity development and may or may not result in a new venture being formed (Ardichvili et al., 2003). There various issues critical issues that affect the abilities of entrepreneurs to recognize and exploit the entrepreneurial opportunity. Shane and Venkataraman (2000) stated that even though opportunity has to be recognized to ignite entrepreneurship process, it is necessary for an entrepreneur to exploit the opportunity recognized to make a new venture possible. Therefore, entrepreneurial opportunity recognition and exploitation are two distinct concepts in the entrepreneurial process that are followed by steps of actualizing a new venture. This article will review existing literature to identify the critical factors that affect the abilities of entrepreneurs to recognized and exploit the entrepreneurial opportunity. The article will help entrepreneurs and academicians understand the most critical factors that affect the entrepreneurship process to investigating those factors that have an impact on different industries. The article will help entrepreneurs to understand how to recognize and exploit the entrepreneurial opportunity.

## 2. Purpose of the Article:

The paper was to review the literature relating entrepreneurial opportunity to understanding factors that influenced opportunity recognition and exploitation. Entrepreneurial opportunity recognition and exploitation is believed to be one of

the most crucial components of the entrepreneurial process (Shane & Venkataraman, 2000). Entrepreneurial opportunity consists of two concepts: opportunity recognition and opportunity exploitation (Kuckertz et al. 2017). Factors relating to the two concepts are those important to the entrepreneurial process. This paper presented critical factors that relate to and might influence entrepreneurial opportunity recognition and exploitation. The factors presented might help entrepreneurs understand and succeed when embarking on the entrepreneurial process. The information revealed in this paper might help entrepreneurs and researchers understand critical factors that affect opportunity recognition and opportunity exploitation and facilitate further research into issues that will influence opportunity recognition and exploitation.

## 3. The Framework of the Study:

This article covered the review of some relevant theories of entrepreneurial opportunities. It was established entrepreneurial opportunity involved two concepts: opportunity recognition and opportunity exploitation (Kuckertz, Kollmann, Krell, & Stockmann, 2017). This article identified critical factors that affect the two concepts of entrepreneurial opportunity. The critical factors identified might help entrepreneurs recognize and exploit entrepreneurial opportunity which will result in the new venture. Creating more new ventures will result in the provision of employment to people which will result in wealth creation and social change.

## 4. Review of Related Literature:

The literature presented in this article reviewed results of various ground-breaking researches as they relate to the behavior of entrepreneurs regarding opportunity recognition, creation, and exploitation where identified key factors that influence the formation of the new venture was the focus. An overview of entrepreneurial opportunity guided the literature review.

### 4.1. Overview of Entrepreneurial Opportunity:

Opportunity may be described as the likelihood of meeting the need of a market/interest/want by combining resources creatively in such a way it will deliver superior value to customers (Schumpeter, 1934; Kirzner, 1973; Casson, 1982). Researchers

also described entrepreneurial opportunity recognition as “situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production” (Shane and Venkataraman, 2000, p. 220). Opportunity may also be unformed phenomena that evolved to formed phenomena and developed to new venture over a period (Ardichvili, Cardozo, & Ray, 2003). New technologies or inventions that have no specific market may be termed as opportunities (Ardichvili et al., 2003). According to Von Hippel (1994) the needs, problems, and interests of prospective customers may or may not be articulate, but if customers are presented with new product or service, they are likely to perceive a value from it. Therefore, from the angle of customers, the opportunity is based on the value customers derived from it when developed. Opportunities erupt from resources that are not used, underutilized resources, from existing or new technology, from new knowledge, or from new abilities and are referred to as capabilities of value creation (Schroeder et al., 1996). The needs of a market become more evident when the potential uses of resources are defined which makes the progression of elements of opportunity to be transformed into business concept resulting in the shape of a new venture. The development of the process into a business venture metamorphose into other concepts including the concept of products or services, the market concepts, marketing concept, supply chain concept, and operation concept (Cardozo, 1986). The emergence of business gives rise to more complex issues including the item the venture will offer to customers, the customers to offer the items to, and the process and operations of delivering the items to the customers. Detailed development of an opportunity enabled the activities such as cash flows, scheduling of activities and identification of resource requirements which makes the opportunity development process into a full-blown business plan. Therefore, opportunity development depends on the creativity of an entrepreneur which resulted in focusing on opportunity development than its recognition. Resources may be recognized but might not result in a developed venture until an opportunity is developed. Ardichvili et al. (2003) found successful new venture is created when an opportunity is successfully developed: the development of an opportunity includes its

recognition, evaluation, and development per se. Opportunity development process is cyclical, and it is important to note the chances of recognizing additional opportunities or the chance of adjusting the initially identified opportunity (Ardichvili et al., 2003).

Ardichvili et al. (2003) found the following as factors that influence the abilities of an entrepreneur to recognize and develop an opportunity that can lead to new venture creation: 1) asymmetry information and earlier knowledge, 2) networks of an entrepreneur, 3) alertness of an entrepreneur to an opportunity, 4) personal traits of an entrepreneur including innovation and creativity, and 5) kind of opportunity. The opportunity development process starts at the point when the alertness of an entrepreneur has reached a level where factors such as creativity, experience, knowledge, and social networks coincidentally reached top level (Ardichvili et al., 2003). The knowledge of the needs of the market and the resources required to convert the opportunity affects the activities of the development process.

#### **4.2. Entrepreneurial alertness:**

According to Kirzner (1973), the term alertness explains the recognition of opportunity by an entrepreneur where Ray and Cardozo (1996) further stated an entrepreneur recognized an opportunity after receiving a high level of information alertness otherwise referred to as entrepreneurial awareness (EA). Therefore, before an entrepreneur recognizes an opportunity, such an entrepreneur attained entrepreneurial awareness. The interaction of environment and the entrepreneur’s characteristics foster a higher level of EA (Ardichvili et al., 2003). Similarly, the higher the alertness, the higher the likelihood an entrepreneur will recognize an opportunity (Ardichvili et al., 2003). Kaish and Gilad’s (1991) argued entrepreneurs recognize new opportunities because they are more alert to them.

#### **4.3. Prior knowledge and Information asymmetry:**

Shane (1999) stated the importance of prior knowledge in triggering the entrepreneur’s alertness to information that will lead the discovery of opportunity. An entrepreneur will discover the opportunities that relate to the area of his or her existing knowledge (Shane, 1999). Thus, the prior knowledge of an entrepreneur is an advantage that

will shape his or her ability to recognize an opportunity (Ardichvili et al., 2003). The prior knowledge may either be due to an entrepreneur's special interest or due to his or her work experience accumulated over an extended period (Ardichvili et al., 2003).

#### **4.4. Accidental Discovery:**

Kirzner (1997, pp. 71-72) stated "What distinguishes discovery (relevant to hitherto unknown profit opportunities) from successful search (relevant to the deliberate production of information which one knew one had lacked) is that the former (unlike the latter) involves the surprise that accompanies the realization that one had overlooked something in fact

readily available." The firms that are founded on accidentally discovered entrepreneurial ideas make breakeven faster than firms founded on formal discovery searches (Teach, Schwartz, & Tarpley, 1989). When an entrepreneur is in passive search mode, it is likely to discover an opportunity because of the high level of entrepreneurial alertness (Ardichvili et al., 2003). An entrepreneur with higher EA is more likely to discover opportunities accidentally than entrepreneurs with low EA (Ardichvili et al., 2003). Therefore, EA is a determinant of both accidental and purposeful discovery of opportunities.

#### **4.5. Networking as an instrument of the entrepreneurship process:**

According to Dubini and Aldrich (1991), an entrepreneur sees networking as a tool for expanding their actions and saving time. Though Turati (1988) stressed networking is a time-consuming process, entrepreneurs require networks they will utilize and gather resources to pursue opportunities. Mobilizing resources involve making contacts, gathering knowledge, galvanizing confidence, raising financing, recruiting the right labor, and making self-available to an uncertain future by venturing into new opportunity (Dubini & Aldrich, 1991). Therefore, entrepreneurship involves networking activities.

There are personal networks for an entrepreneur who might be friends that have no business knowledge and extended network focusing on persons with information that is important to entrepreneurs. By chance entrepreneurs, personal contacts might lead to extended contacts that will

result in a vast network that will result in resources to be used and pursue an identified opportunity (Aldrich & Zimmer, 1986). An entrepreneur will save cost and time of searching resources if the right network is made from the personal contacts.

A network might arise due to transactions between individuals such as entrepreneurs, investors, bankers/creditors, suppliers, etc., which might become a permanent, meaningful relationship among the members of the network. An entrepreneur's network involves those people in a network with a direct relationship with him or her. A direct face-to-face relationship such as persons an entrepreneur obtains advice, moral support or services. Networking is termed as an entrepreneurial behavior because of the assumption the personal contacts are built on strong ties, not weak ones and permits the identification of networking behavior contrary to normal business behavior (Dubini & Aldrich, 1991). Buying a newspaper from a vendor is a normal business transaction as against appointed meeting with a financial advisor. The ordinary business transaction is usually faced with the problem of "one-time contact" and never to deal with the person again, while a networking relationship is established with the hope that it will last indefinitely (Dubini & Aldrich, 1991). When a long-term relationship is established it is believed the members of the network will trust each other for a continuous relationship, the predictability of the relationship is increased, and members of the network will "voice" complain and will be heard (Dubini & Aldrich, 1991). Therefore, networking as an entrepreneurial behavior is a process of building strong ties which expand the trust between an entrepreneur and persons that are likely to provide the needed resources to pursue an identified opportunity (Aldrich, Rosen, & Woodward, 1987). The diversity of an entrepreneur's network increases the chances of building a more extensive network, and the stronger the ties an entrepreneur build with members of a network, the larger the chances of building a network with entrepreneurial behavior.

Aldrich et al. (1987) found entrepreneurs that are successful relate to persons that have diverse information. Successful entrepreneurs are members of a network whose other members have information on how to locate a new business, how to identify a potential market for their goods or services, how to source capital to finance a new

opportunity, and how to utilize innovation and pursue it as an opportunity. Entrepreneurial network with persons having overlapping information has greater advantage successfully pursuing an opportunity.

Extended networks arise from personal networks of entrepreneurs. The extended network includes the relationship between managers, employees, and owners which are structure and guided with controls. The extended network also includes relationship beyond organizational boundaries which is separated by issues such as organizational culture, values, and goals. Direct ties link persons and firms so also indirect ties. Firms use networks to access information from indirect ties and improve on how to pursue opportunities.

Entrepreneurs should consider the density of the network which is a measure of the effectiveness of the persons or firms in the network. Reachability of the network determines the link between persons and firms regarding distance. Brokers are the persons that link entrepreneurs with similar or complementary interests and become a source of transferring right information or resources between them.

Entrepreneurs should:

- 4.5.1 Check on the density of their network and moderate members to develop stronger ties with complimentary interest entrepreneurs.
- 4.5.2 Randomly check the activities of the members of the network to ensure the effectiveness of the information they provided about pursuing an identified opportunity.
- 4.5.3 Entrepreneurs aiming to start new venture should devote time to establishing an effective network by establishing an effective way of communication.

According to De Koning (1999), entrepreneurs can discover opportunities by pursuing three activities: a gathering of information, thinking while talking, and assessment of resources which they can be achieved through a network of people. The network of people includes entrepreneur's close associates who are not part of the venture, people employed by the entrepreneur to provide resources for the utilization of the opportunity, partners to the new venture, and entrepreneur's weak ties (Ardichvili et al., 2003).

#### **4.6. Personality traits of an Entrepreneurs:**

Researchers focused on identifying the factors attached to the personality of a successful entrepreneur. There are two personality traits identified with successful entrepreneurs as factors that helped them to recognize an opportunity. The optimism of entrepreneurs has been linked to their ability to recognize an entrepreneurial opportunity (Krueger & Dickson, 1994). The second trait is the ability of the entrepreneur to be creative. The creativity of an entrepreneur plays a significant role in entrepreneurial decision-making ability which is important to opportunity recognition (Winslow & Solomon, 1993; Hills et al., 1997). Creative entrepreneurs also are referred as solo entrepreneurs need not be networked with opportunity sources.

#### **4.7. Types of opportunities:**

- 4.7.1 Undefined – Unidentified otherwise referred to as dreams (value sought for the opportunity and unidentified - indicating both the problems and solutions are unknown mostly recognized by creativity),
- 4.7.2 Undefined – Identified which are problem-solving in nature (problems are known but no solution identified),
- 4.7.3 Defined – Unidentified usually to transfer technology (though the problems are not known, the capabilities to solve the problems are defined), and
- 4.7.4 Defined – Identified which are ready for business formation (both problems and solutions are known) (Getzels, 1962).

A study by Shane and Nicolaou (2014) found people with creative personalities to possess the abilities to recognize business opportunity and start a business.

#### **4.8. Opportunity Recognition and Opportunity Exploitation:**

There are two concepts identified by Kuckertz et al. (2017) as the main measurable issues about the entrepreneurial opportunity: entrepreneurial recognition and opportunity exploitation. Shane and Venkataraman (2000, p. 220) defined entrepreneurial opportunity as "situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production." Shane and Venkataraman (2000) stated that even though opportunity has to be recognized to ignite entrepreneurship process, it is

necessary for an entrepreneur to exploit the opportunity recognized to make a new venture possible. Therefore, entrepreneurial opportunity recognition and exploitation are two distinct concepts in the entrepreneurial process that are followed by steps of actualizing a new venture. According to Kuckertz et al. (2017), entrepreneurial recognition involves six activities, alertness, searching, information gathering, communicating, solving problems, and evaluation. The six activities can be utilized to define opportunity recognition as the act of being alert to identify any possible business opportunities through searching and collection of relevant information that can be communicated on them to find a way that will address customer needs and evaluate the viability of the entrepreneurial process.

On the other hand, Kuckertz et al. (2017) identified another six components that made-up the activities of opportunities exploitation including product or service development, identifying the right team, business planning, identification of customers and market, sourcing of resources, and organization setting-up. Therefore, opportunity exploitation can be defined as an act of developing product or service due to recognized business opportunity, acquiring the right start-up team, developing the business plan, identify the product's or service's market and customers, sourcing of financing that will make the venture work and set up a new venture. Therefore, entrepreneurship is all about recognizing an entrepreneurial opportunity and exploiting the recognized opportunity.

#### **4.9. Entrepreneurial Opportunity: Create or Recognize:**

Recognizing opportunity is believed to be associated with some level of risk contrary to creating opportunity scholars who believed is associated with uncertainty (Maine, Soh, & Dos Santos, 2015). Research suggested entrepreneur's alertness recognized an existing opportunity and used it to exploit market imperfections (Maine et al., 2015). Similarly, Alvarez and Barney (2007) argued that opportunities are always available like mountains waiting to be discovered and exploited by entrepreneurs. The capacity of an entrepreneur to discover and exploit an existing opportunity faster than others is the stand-alone situation. The contrary view argued that the entrepreneurial opportunity is created because both the means and

the market will not make a new venture without the cation of an entrepreneur (Alvarez & Barney, 2007). The risk is not available, but rather uncertainty of creation will emerge as new venture unfolded. The distinction between entrepreneurial opportunity creation and recognition makes entrepreneurial decision making to have two modes: causation and effectuation (Maine et al., 2015). Thus, both opportunity recognition and creation are utilizable in opportunity generation by using different modes of decision making.

The two decision modes are defined as follows: "Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (Sarasvathy, 2001, p. 245). Effectuation mode of entrepreneurial decision-making involve using experimentation in the process, utilization of an affordable loss, and using available means of achieving new venture by an entrepreneur (Sarasvathy, 2001). Effectuation is argued to be used where an entrepreneur perceived and processed information for exploiting the environment to create opportunities under the condition of uncertainty (Maine et al., 2015). When an entrepreneur utilizes the prediction of future with an emphasis on the goals of commercialization of the process, it is termed as causation model of decision-making (Sarasvathy, 2001). Maine et al. (2015) found a connection between entrepreneurial decision-making modes and the environment during opportunity generation process. Entrepreneurs respond to the environment when deciding regulations and funding in a way that the decision-making mode can change from effectuation to causation or a combination of the two (Maine et al., 2015). It was also revealed that effectuation decision mode does not lead to creating an opportunity (Maine et al., 2015). The entrepreneur's destination or path to the destination may not be clear, which make casual decisions less important but rather the use of effectual exchange of information between the stakeholders who may be the founders of a venture to make the expedition a success.

#### **4.10. Entrepreneur's Skills for Entrepreneurial Process:**

The opportunity recognition/creation theory is the dominant aspect of entrepreneurship process that focuses on entrepreneur's capabilities (Chell, 2013). The opportunity recognition theory focusses on the abilities of the entrepreneur to be alert and identify/create an opportunity and successfully exploit it to create a new venture. The following are some of the essential skills necessary for a successful entrepreneurial process:

- 4.10.1 The creativity/vision/foresight/or imagination skills which give an entrepreneur the ability to become creative/innovative resulting in the generation of ideas and ways to exploit the ideas to be successful (Ardichvili et al., 2003).
- 4.10.2 Alertness skills which give an entrepreneur the abilities to recognize an opportunity and prepare on how to exploit it (Shane, 1999; Shane & Nicolaou, 2014; Shane & Venkataraman, 2000).
- 4.10.3 Tacit knowledge for pattern recognition and prototyping is used by entrepreneurs to perceive a pattern of information used to identify opportunities (Baron, 2004).
- 4.10.4 Domain knowledge, prior knowledge, absorptive capacity, interpretation skills are used by entrepreneurs as part of prior knowledge that is pertinent for opportunity recognition and the abilities to source further information about a perceived opportunity (Ardichvili et al., 2003).
- 4.10.5 Market knowledge and resourcefulness skills help entrepreneurs to identify market, customers, and the ability to source the material resources for the successful take-up of a new venture (Ardichvili et al., 2003; Shane & Venkataraman, 2000).
- 4.10.6 Persuasiveness, interpersonal, and leadership skills necessary to convince others the value of the opportunity recognized and led a team of founders with various skills to exploit the opportunity identified (Jack & Anderson, 2002).
- 4.10.7 Self-confidence skills are necessary for an entrepreneur to trust his/her judgment throughout the opportunity recognition and exploitation process (Locke, 2000).
- 4.10.8 Judgment skills required by an entrepreneur to be able to differentiate among

opportunities and information that is important for the entrepreneurial process (Chell, 2008).

- 4.10.9 Risk and responsibility taking skills give an entrepreneur the ability to manage risk and take responsibilities in the condition of uncertainty during the entrepreneurial process (Miner & Raju, 2004).
- 4.10.10 Socialization, political astuteness, and Networking skills necessary for information gathering, marketing, and the ability to find solutions to institutional issues (Ardichvili, 2003; Harper, 1996).
- 4.10.11 Adeptness skills help an entrepreneur learn the rules of founding a new venture successfully (Chell, 2008).
- 4.10.12 Resilience Skills which essential in helping an entrepreneur endure the most difficult times of entrepreneurial process (Shapiro, 1975).
- 4.10.13 Business acumen and planning skills which are used to develop a business plan, source and apply the necessary resources, and plan for the goal of the new venture (Arrow, 1974).
- 4.10.14 Stamina, commitment, effort, achievement, and passion skills are necessary for long-run management of the success of a new venture (Locke & Baum, 2007).
- 4.10.15 Strategic competencies Skills are necessary for an entrepreneur to be able to grow the new venture and sustain the growth in the long-run (Reynolds, 1987).
- 4.10.16 Decision-making skills are necessary for problem diagnoses, formulation, and solving during the entrepreneurial process (Casson, 1995).

The identified skills are required for an entrepreneur to be able to recognize and exploit an opportunity.

#### 4.11. The pattern of Opportunity Recognition:

Entrepreneurs use the cognitive framework they possess to "connect the dots the dots between changes in technology, demographics, markets, government policies and another factor" where the pattern they perceived because of the changes give them a new idea on how to develop new product or service (Baron, 2006, p. 104). The pattern of opportunity recognition is useful in three respects:



- 4.11.1 The pattern helps integrates three factors: engaging in search of opportunity recognition, alertness and the prior knowledge of entrepreneurs,
- 4.11.2 Pattern recognition identify in detail the reason why some entrepreneurs, not others indicate and recognize specific opportunities, and
- 4.11.3 Pattern recognition may equip existing and new entrepreneurs with ways of recognizing opportunities (Baron, 2006).

## 4.12. Organizational Learning and Opportunity Recognition

Organizational learning is an avenue used to renew venture's competitive advantage strategically. According to Lumpkin and Lichtenstein (2005), organizational learning (OL) can be used to improve the abilities of a venture to identify a new venture and help exploit an opportunity to create a new venture. The three approaches of OL (behavioral, action, and cognitive) can be used to introduce a model of creativity in a venture where opportunity recognition can be introduced in two phases – opportunity recognition (discovery) and opportunity exploitation (formation) (Lumpkin & Lichtenstein, 2005).

## 5. Findings and Discussions:

The article presented the finding based on the two most important concepts of entrepreneurial opportunity: opportunity recognition and opportunity exploitation. Critical factors that affect opportunity recognition and opportunity exploitation were presented as findings of the study. The essence is for entrepreneurs understand the critical factors to influencing their abilities to recognize and exploit entrepreneurial opportunity which will result in developing new ventures in society. This article might help entrepreneurs and academicians with issues that might help investigate the best entrepreneurship process as it relates to the various industries in a business environment. The findings of this article are as follows:

### 5.1. Critical factors relating to Opportunity Recognition:

The following are the critical factors that relate to entrepreneurial opportunity recognition and are important for entrepreneurs to understand the

concept of entrepreneurial opportunity recognition prelude to exploitation which makes-up a new venture,

- 5.1.1 There are various definition of opportunity recognition, but the one that fits this article is: opportunity recognition is a “situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production” (Shane and Venkataraman, 2000, p. 220). Understanding this definition will help entrepreneurs to develop the skills necessary for opportunity recognition.
- 5.1.2 Opportunities are usually new technologies and inventions that are recognized by entrepreneurs.
- 5.1.3 Opportunity from the angle of customers is the value they are likely to derive because of new product or service.
- 5.1.4 Opportunities usually arise from a problem, customers need, or customers interest.
- 5.1.5 Opportunities erupt from un-used or under-utilized resources, new knowledge or new technology, or new capabilities that will create value for customers.
- 5.1.6 Development of entrepreneurial opportunity involve its recognition and exploitation.
- 5.1.7 Five factors influence the abilities of the entrepreneur to recognize an opportunity as follows:
  - a. Entrepreneur's alertness
  - b. The networks of an entrepreneur that is capable of providing the right information that will help recognize an opportunity.
  - c. The kind of opportunity available.
  - d. The creativity and innovativeness of an entrepreneur
  - e. The prior knowledge of the entrepreneur.
- 5.1.8 The higher the alertness of an entrepreneur, the higher his ability to be able to recognize an opportunity.
- 5.1.9 Some opportunities are accidentally discovered and make a profit faster than firms discovered following normal process of opportunity discovery.
- 5.1.10 Prior knowledge of an entrepreneur is usually due to his/her special interest in an industry or due accumulated work experience and/or educational qualification/background.

- 5.1.11 The prior knowledge of an entrepreneur gives him/her the ability to recognize opportunity faster than entrepreneurs without prior knowledge.
- 5.1.12 Entrepreneurs in high entrepreneurial alertness mode discover opportunities accidentally.
- 5.1.13 An entrepreneur with a network that supplies the right entrepreneurial information recognizes opportunities faster than those entrepreneurs with less network.
- 5.1.14 Optimism is the entrepreneur's personality trait that gives the ability to recognize the opportunity.
- 5.1.15 Creativity is the second personality trait that guides entrepreneurs to make decisions during the process or entrepreneurial process.
- 5.1.16 Opportunities can be recognized by being alert and identify through searching with the collected relevant information which if communicated to customers will be seen as addressing their needs.
- 5.1.17 Entrepreneurial opportunity is believed to be always available waiting to be discovered, and the alertness of an entrepreneur to opportunity served as the ability to recognize an opportunity faster.
- 5.1.18 Opportunity recognition is always associated with risk while opportunity creation is associated with uncertainty.
- 5.1.19 The skills that are important to entrepreneurial opportunity recognition include the followings:
  - a. Creativity, foresight, and imagination skills help entrepreneurs to generate new ideas in form of recognized opportunity.
  - b. Alertness of entrepreneur skills helps in recognizing an opportunity.
  - c. Absorptive and interpretation skills are utilized by entrepreneurs as part of prior knowledge abilities during opportunity recognition.

The findings indicated entrepreneurial opportunity could be recognized by an entrepreneur using the alertness capability which is important skill requirements. Opportunity may also be created based on the information available through entrepreneur's network, and creation of opportunity involves risk-taking just like opportunity

recognition which involves uncertainty in the process. It was also discovered their skills that help an entrepreneur to recognize opportunity quickly, and such skills might be developed over time. Opportunity recognition is a crucial aspect of the entrepreneurial process which needs further research about the skills required by an entrepreneur to increase the recognition abilities of entrepreneurs.

## **5.2. Critical Factors Associated with Opportunity Exploitation:**

When entrepreneurs recognized an opportunity, they proceeded with the process of exploiting it to become a new venture. The process involves utilization of the available resources to develop a new venture. Such process involves practical solutions to some of the recognized opportunity. The critical issues that are important for an entrepreneur to exploit the recognized opportunity and create a new venture include the following:

- 5.2.1 When the potential uses of resources or technology are defined, it will become clear how a business concept might be developed into a new venture.
- 5.2.2 It is when the business concept is more apparent, then specific concepts of developing new venture emerged: product concept, service concept, market concept, supply chain concept, and the concept of operation.
- 5.2.3 Exploiting opportunity give rise to concepts of sourcing of funding in form of cash-inflow, identification of resources and sources, and then scheduling of activities.
- 5.2.4 During opportunity exploitation process, it is likely to recognize an additional opportunity or adjust the initially identified opportunity.
- 5.2.5 The higher the knowledge of an entrepreneur of the market and resources requirements, the faster the exploitation of an opportunity to become a new venture.
- 5.2.6 The broader/stronger the network of an entrepreneur, the higher the capacity to mobilize resources that will be used to exploit an opportunity and create a new venture.
- 5.2.7 An entrepreneur with the right network will save cost and time pertaining the mobilization of resources for the exploitation of a recognized opportunity.

- 5.2.8 Successful entrepreneurs are found to be relating to the right persons well in their network.
- 5.2.9 The process of opportunity exploitation is made up of six components:
- a) Development of the product or service recognized,
  - b) Identification of the right start-up team,
  - c) Developing the right business plan,
  - d) Identification of the right customers and market of the product or service identified,
  - e) Identification and sourcing of resources including financing, and
  - f) Setting up the organization as the new venture.
- 5.2.10 Casual decision making in entrepreneurial process is not as critical an effectual exchange of information among stakeholders who are mostly founders of a venture that make the journey to a new venture a success.
- 5.2.11 The skills that are important for an entrepreneur when exploiting a recognized opportunity includes:
- a) Skills of knowing the right market and customers will help exploitation of a recognized opportunity.
  - b) Leadership and persuasive skills are important for the encouragement of the start-up team to recognize and exploit an opportunity to form a new venture.
  - c) Judgment skills required to determine the information that is important for entrepreneurship process.
  - d) Risk and uncertainty are taking responsibility skills shape an entrepreneur to take the risk of exploiting a recognized opportunity.
  - e) Socialization and networking skills are important for marketing, resources mobilization and sourcing, and attacking institutional issues when forming a new venture.
  - f) Adeptness skills are required for learning the ropes of forming a new venture.
  - g) Endurance skills will guide an entrepreneur to pass through good and bad times of new venture formation.
  - h) Business administration skills required for the business planning, financial planning,

and strategic planning that will create a competitive new venture.

- i) Decision-making skills which may be part of business administration skills are necessary for problem identification and diagnosis, problem solution formulation, and development of the entrepreneurial process.

The six components itemized as opportunity exploitation tools are important to the conversion of a recognized opportunity into a new venture. It is important for an entrepreneur to know the skills needed for venture creation and are skills necessary for opportunity recognition. Therefore, the entrepreneurial process involved recognizing an opportunity and exploiting it to be a new venture which will address customers problems or needs and satisfy the stakeholders of the new venture.

## 6. Conclusion:

Many factors might influence entrepreneurial process particularly the recognition and exploitation of opportunity. The recognition of opportunity by an entrepreneur requires some necessary skills. The entrepreneur's alertness to opportunity is key to recognizing an opportunity because the higher the alertness of an entrepreneur the higher his ability to recognize an opportunity for venture creation. Other skills help opportunity recognition. The recognition of an opportunity usher an entrepreneur into the phase of exploiting it. An entrepreneur needs skills of identifying market and customer for the new product or service, identifying and sourcing of resources including financial resources, developing the organizational structure of new venture, and above all satisfying the stakeholders. It is during the exploitation stage entrepreneurs use their network to identify the right persons to form the foundation team otherwise known as founders. The factors identified in this paper highlighted critical issues necessary to influence opportunity recognition and opportunity exploitation to form a new venture. The factors presented will serve as information to entrepreneurs to facilitate new venture creations for social change through the provision of employment to people. The factors will also serve as a guide for future research on factors that will facilitate opportunity recognition and exploitation.

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