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A TYPOLOGY OF ENTREPRENEURIAL OPPORTUNITY

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ABSTRACT. This article explores the phenomenon of entrepreneurial opportunity. Entrepreneurial opportunity is depicted as a nexus between the ebb and flow of the environment and our personal, family and business disposition, reflected in our personal knowledge. Opportunity recognition therefore must be seen as an ability not uniform throughout the community. Entrepreneurial opportunity is defined and described as existing within four typologies; imitation, allocative, discovery, and construction, which all have individual characteristics. The paper discusses seeing opportunity based upon prior knowledge, emotional sensitivity, and one's current perspective. The entrepreneurial process and evaluation of any opportunity is considered with a modified SWOT configuration.
JEL codes: L26

Keywords: entrepreneurship, opportunity, perception, opportunity evaluation, chance, SWOT

1. Introduction

All human activity is directed at some perceived possible future. Our life is dominated by the channeling of our efforts towards creating the future we anticipate for ourselves. The future is a journey for which we are not certain, relying upon our imagination to picture what this future would be like, whether it is just in five minutes or five years time. We can only be certain about this future when we get there.[1] The heart of seeing opportunity is about seeing the future, a process that doesn't occur through formal analysis, forecasting or strategic planning process. Rather, opportunity is about seeing the future for what it could be through our aspirations and imagination in ways that other people don't see.

There is a passionate, visionary, and exciting side to opportunity that formal systems and theory does not capture adequately. Opportunities create a path where various levels of enthusiasm, skill, resources, rigidity and commitment, and a devised strategy are pursued by individuals and firms.

This journey begins with the identification of an opportunity upon which we are inspired and motivated enough to pursue, not always knowing where we will end up. Our actions test what we are anticipating, inferring that pursuing opportunities is about learning.

Opportunity cannot be explained by environmental forces or individual factors alone as they are both very much interrelated.[2] Understanding the phenomenon of opportunity spans across the disciplines of micro-economics, psychology and cognitive science, strategic management, resource based and contingency theories that are patched together, synchronized and added to form new information in the form of ideas. Opportunity is a situational phenomenon that is developed from incomplete information.[3] Opportunity relies on an individual recognizing, discovering or constructing patterns and concepts that can be formed into ideas. Opportunity is a poorly defined concept where theories are good at explaining creation after the event, but been very poor in predicting creation. Theories are limited in their explanations and can only point to what capabilities exist when the individual is developing opportunities. Opportunity models that have been developed by strategy and marketing researchers have difficulty in being applied to entrepreneurial start-ups. Pre-1970s it would have been totally inconceivable to predict that a group of young entrepreneurs who dropped out of university were able to move into the computer industry and be so successful exploiting opportunities that incumbent *Fortune 500* firms like IBM couldn't.[4]

The central aspect of opportunity is being able to see it in the first place and acting upon it before others. This is a function of how we perceive the world and process information. The resulting intuition, vision, insight, discovery, or creation is an idea which may upon evaluation become an opportunity. This ability is not uniformly distributed throughout the community,[5] as people have different orientations towards time and space as depicted in Figure 1. Thus the opportunity *gestalt* is not a uniform or regular phenomenon that any theory can provide a general explanation.[6]

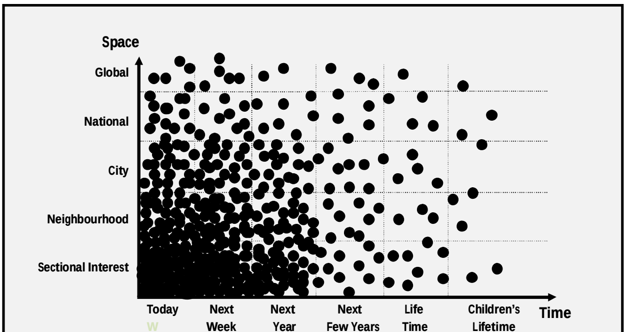

Figure 1 Diversity of peoples' orientation towards time and space

Opportunity is a dynamic construct that ebbs and flows according to a continually changing environment. This also occurs in what were once called traditionally *"stable industries"* like broadcasting, entertainment, chemicals, pharmaceuticals, automotive, and aviation. Customer trends, resource costs, government regulations, changing trade conditions, competitive products, merging industries, and other types of pressures and shocks like rising petroleum prices continuously shift the panorama of the environment and thus change is the prime generator of opportunity. The financial crisis of 2008 coupled with international monetary shifts, changing exchange rates and the movement of manufacturing and jobs from Western countries to China are phenomena that change national economies and the balance of world markets, bringing massive structural shifts and potential opportunities. As we saw in 2008 this process can be extremely rapid and appear to occur with little warning just like the *"peoples' revolutions"* in Tunisia, Egypt, Jordan, Yemen, Bahrain, and Libya during 2011. Figure 2 depicts some of these rapid changes in relationships that are shifting the locus of opportunity in a major manner. One of the many affects of these changes has been the dramatic shift of firms to manufacture in China. Whole companies are being taken over turning company towns into museums where legacy exists only as a brand name like Waterford Crystal.[7]

Over the last forty years we have witnessed the creation of many new multi-billion dollar industries like modern biotechnology, discount retail, mutual funds, cellular telephones, personal computers, satellite television, and the internet. Industries that were important to the growth of the US during the larger part of the twentieth century like steel have massively declined, leading to the demise of giant *Fortune 500* companies like Bethlehem Steel. Companies like Intel, National Semiconductor, Microsoft, Apple, Nokia, Amazon, eBay, and Wal-Mart have risen to dominance in their industries, each in their own way transforming the way a particular industry works. The changeover of industry dominance has been so rapid that 40% of the *Fortune 500* companies that existed in 1975 were no longer operational two decades later.[8] Today 33% of the most successful firm profits are generated from products launched within the last five years.[9] In some industries like the mobile phone, television manufacture, white goods and automobiles, etc, this figure is much closer to 100%.

Firms need to continually renewal themselves through taking on new opportunities by developing and launching new products, services and/or creating new business models. Companies need to shift their strategies flexibly as the characteristics of opportunities change and pursue emerging opportunities to remain successful. There however is a tendency for successful firms to become so focused upon the internal processes of their organizations that they forgot to scan the environment and to see where the marketplace is going.

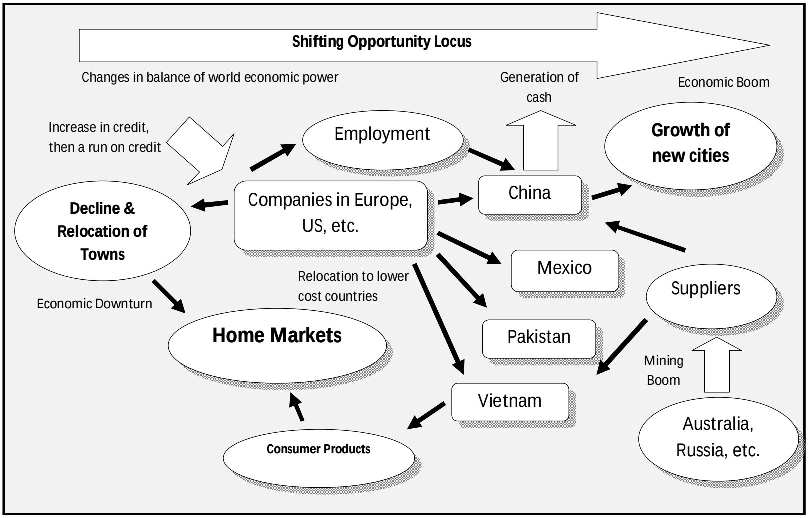

Figure 2 The shifting global opportunity balance

The subjective nature of opportunity makes it impossible to separate the concept from the individual. Opportunity has a deep basis in a person's prior knowledge and experience, personal aspirations, imagination, and fear of uncertainty. As opportunities are situational, so must be the practice of entrepreneurship and thus it is very difficult to agree on a common definition. What may be entrepreneurial in one context may not be entrepreneurial in another time and place, so entrepreneurship is also a relational concept. As entrepreneurship is also carried out within a social context, entrepreneurship must also be a cultural phenomenon.

For the purposes of this paper, entrepreneurship is an individual or collective way of thinking, constructing an opportunity attached to a vision, which somehow precipitates the gathering, co-opting, combining and organizing of resources into enactment upon the opportunity with the goal of activating the vision, utilizing knowledge, technology, and business tools in a relatively novel way to realize results, that have the possibility of creating a sustainable organization, where there are willing followers who share the vision. The concept of novelty is also situational, relational, contextual, and cultural, and the standards of novelty – *meaning the quality of being new,* will be different in say the United States to what is novel in The Ghana, Nepal, Bangladesh, or Fiji.

Most ideas have their basis in some old idea, something seen or experienced within the past, so from this point of view most opportunities are not truly novel. For example, an old type of business can be given a new business model and professionalism like McDonalds did for burgers and Holiday Inn did for motels. New technologies can be applied to old products and processes like desktop publishing and email and domestic business models can be expanded internationally like Coca Cola and Pizza Hut.

Many people mistake their aspirations for opportunity. For example people put their money and efforts into a boutique, restaurant or spa for the wrong reasons because they like fashion and shopping, food and cooking, or aromatherapy and massage, only to close down a few months later because there was no real opportunity. In SME's the values of the founder and the firm are the same in many cases. Business opportunity is influenced to various degrees by a hierarchy of personal and family aspirations and concerns that cannot easily be separated from business goals. This can be dangerous if one is unaware of their influence upon thinking. This hierarchy of personal, family, and business aspirations is depicted in Figure 3.

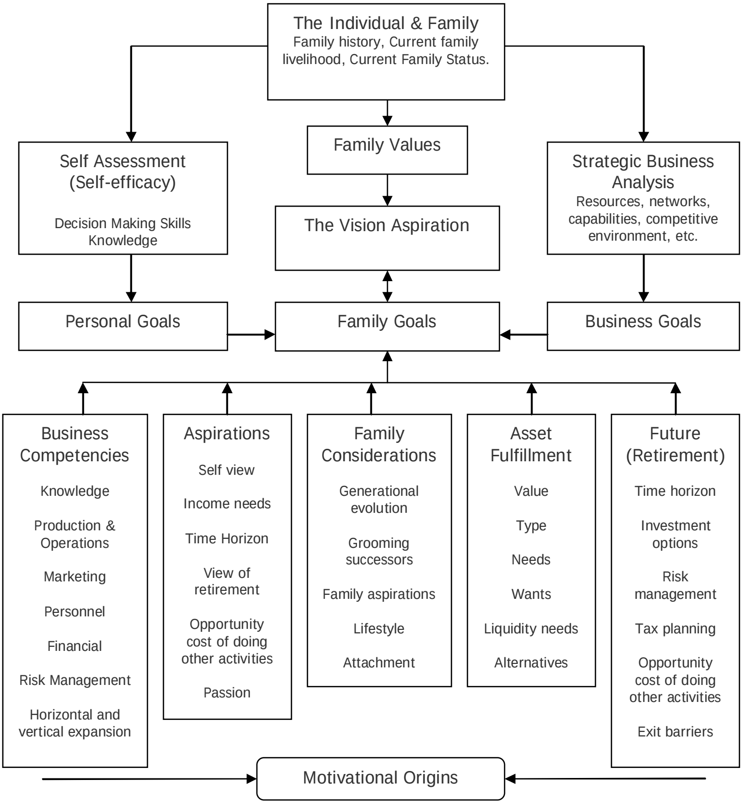

Figure 3 A hierarchy of family, personal and business aspirations[10]

Our knowledge and personal goals are embedded within our imagination which is at the heart of our existence, a cognitive quality that we would not be human without.[11] Imagination extends our experiences and thoughts, constructing our view of the world to lower our uncertainty of it. Just like imagination is a good way for novelists to create their stories, imagination is needed to create new value sets to consumers that separate new ideas from others. This requires originality to create innovation.[12] Imagination is the essence of marketing opportunity[13] that conjures image and fantasy to consumers, allowing them to imagine what it would be like to live at Sanctuary Cove in Queensland, Australia, receiving a Citibank loan, driving a Mercedes 500 SLK around town, or holidaying in Bali. Imagination aids our practical reasoning[14] and opens up new avenues of thinking, reflecting, organizing the world, or doing things differently. Imagination decomposes what already is, replacing it with what could be, and is the source of all our hope fear, enlightenment, and aspirations.

There are really very few innovators in the business world as most firms tend to adapt, emulate, and follow other proven ideas. By emulating and matching other firm's ideas and strategies, and adopting the behavior and actions of others, just like we did in the school playground, we reduce our personal risk and uncertainty. By far the majority of businesses follow others that successfully exploit opportunities, rather than seek their own to exploit.

Each story about a successful (or unsuccessful) entrepreneur is unique and has its own particular reasons for success (or failure) based upon the type of opportunity, skills, focus, apt timing, resource configuration, personal competencies, and a strategy for the situation, which may or may not be right for the particular opportunity and entrepreneur. Different kinds of opportunities will lead to different types of strategy and venture form, which leads to different types of enterprises, business scope, and ways organizations are run. Any individual case studies only show a limited opportunity set, resources, skills, and capabilities, source of opportunity, and strategies for a particular situation. For each and every situation all these factors will be different.

Some companies rapidly grow after start-up because they have correctly identified an opportunity, have the right capabilities, networks and resources, and devised the correct strategies to exploit the opportunity effectively. Other firms may take a longer time to learn the heart of the opportunity and what is required to successfully exploit it, or may be under resourced and need to build their capabilities, so growth is much more modest.

The basis of a new entrepreneurial venture is coming up with something that others don't have. Breakthrough or revolutionary ideas may take some time for consumer acceptance where the speed of success may depend upon the extent that consumer habits must change, the convenience of the purchase process, and the familiarity with the channels of distribution. Sales revenue will be very difficult to predict, if not impossible and the only confidence an entrepreneur may be able to have in the future outcome is that their new product or service offers substantially more value than what is currently in the market. How quickly the product catches on, is really anybody's guess.[15] New start-up firms may only be able to fulfill niche segments due to the large costs of blanket market distribution. At the other end of the continuum, products that replicate other competitive products or are only marginally better are difficult to introduce and gain any deep market penetration. These products may compete on price, value (more product for the same price), or other short term market tactics. Success in any competitive environment may just come down to the hard slog of out pacing the other competitors which drains profitability for all concerned.

Strategy is the driver of opportunity exploitation. However it must be flexible in adapting the idea, objectives, organization, product, strategies and tactics, as they are all paramount for success. Strategy based on opportunity relies on learning, building capabilities, and making venture choices that are based upon our subjective preferences. Performance along the opportunity path will be measured against a person's own personal vision as a benchmark.[16]

Although entrepreneurs come from all walks of life, backgrounds, and ventures are vastly different, there is perhaps a common narrative and shared curiosity that would entail thoughts like *'why is this so?' 'Is there a better way of doing this?' 'Is there a way I can benefit?'* and *'How can I improve upon it?*

2. What Is Opportunity?

There are a number of definitions of opportunity that provide different glimpses upon its meaning. One of the most relevant definitions to this book was developed by Stevenson and Jarillo who saw opportunity as a future situation that is both desirable and feasible.[17] Wickham saw opportunity as a gap in the market where the potential exists to do something better that creates value.[18] From the Schumpeterian point of view an opportunity is simply a chance to meet a market need through some creative combination of resources to deliver superior value.[19] Shane saw opportunity as a recombination of resources that results in new products, services, or changes within the value chain.[20] Stevenson and Gumpert saw that for an idea to be classified as an opportunity, it must meet two criteria; Firstly the idea must represent a desirable future state involving some form of change, and secondly the individuals involved must believe that it is possible to reach that state.[21]

The implications of the above definitions view opportunity as a perspective taken about the possible future state of the environment, a potentiality that is not yet actualized that may or may not be feasible. Opportunity is a juncture where something favorable can be realized through undertaking certain activities to realize the identified potential, based on a set of ideas and beliefs that enable the creation of goods and services that do not yet exist.[22] For example a computer without an operating system is useless to most users and be of very little market potential. But the advent of an operating system adds value to the computer. There are many instances where consumers are not able to articulate their needs and wants for certain new products until they see them and are able to recognize or learn about the value the product or service may have.[23] Opportunities can be exploited by fulfilling these needs, wants, or creating trends and fads with goods or services that offer value to consumers. For example, consumers may not see the need for a toothbrush sterilizer until they see one on the market and are presented with information about the bacteria build up on a toothbrush lying around in the bathroom cabinet. Therefore to see opportunity one must understand the technical aspects of the nature of the opportunity or have an intimate understanding of the value chain involved.

Opportunity implies some form of action to realize the potential, which infers entrepreneurship. It is an entrepreneur who develops an idea from some formation process, develops the goals to pursue the opportunity and has the motivation to assemble resources, and utilize networks and skills in the pursuit of exploitation.

The Global Entrepreneurship Monitor (GEM) makes a distinction between necessity based and opportunity based entrepreneurs. Necessity entrepreneurs take up self-employment out of a need to earn income as the prime motivation, where very few other viable economic alternatives exist. Opportunity entrepreneurs take advantage of perceived business opportunities. Their desire may arise out of dissatisfaction with their current life situation,[24] or out of awareness about a growing number of opportunities arising out of economic growth with new optimisms.[25] It is the author's view that GEM reports have consistently overstated opportunistic entrepreneurship and understated necessity entrepreneurship in developing countries due to interview methodologies and bias as people tend to put their position in the best light during formal interviews. Personal life situations have a deep influence upon a person's willingness to look for opportunity, what they see, and how they pursue them.[26]

Many new technology innovations are pushed into the market and in some cases, products and services go on to be very successful, *i.e., iPad, iPhone, personal computer, automobile, airplane, and steam engine*.[27] Any new technology will have a number of potential applications,[28] and the inventor/entrepreneur or firm must decide which area is most lucrative one to focus upon. Any new technologies must solve existing problems effectively and efficiently, and be able to provide consumers with benefits. Every invented device, process, or service requires an innovation period where the invention is matched with opportunity, as the new technology is not an opportunity within itself. This requires a clear understanding of what customers are looking for and why they buy. Finding this out may be a *"hit and miss"* process where mistakes can be very costly and punished very quickly.[29]

Consequently, the pursuit of new knowledge and technology is an endogenous phenomenon where technology must be matched to an idea. Thus an opportunity is created by an entrepreneur or team working with him or her.[30] Opportunities are generated through the quest for new knowledge. Opportunities may then be more prevalent in industries where more new knowledge is generated, *i.e., biotechnology and ICT, etc.,* than prevailing in low technology industries.[31] In this context some opportunities can only emerge when the technology exists and has been applied as an idea to something. Thus opportunity streams into the environment through ideas to apply new technologies when they exist.

Finally it is perhaps worthwhile to distinguish opportunity from speculation. Because the future is never certain, activity that takes place overtime is to some degree speculative. Opportunities are based on the belief that value can be created which will yield future profits and any uncertainties are manageable if resources are deployed effectively within the control of the entrepreneur. The profits resulting from entrepreneurial opportunity exploitation are derived from a deliberate set of actions and the successful creation of value. Speculation however relates to a bet on an outcome, where a person may think that prices will either rise or fall in the future and base their actions upon this belief or speculation. If they believe prices will rise in the future, they will buy, if they believe prices will fall in the future, they will defer or postpone buying. This can be applied to anything that can be bought or sold and speculation tends to be successful in markets that are on a continual rise. The availability of credit tends to fan speculation. Speculators risk their capital in the expectation that the price in the market will shift to favor their position. Speculation unlike opportunity exploitation is usually paper based that does not create any new value and outcomes are usually outside the control of the investor unless large sums of capital are utilized and has influence over market price levels. In these cases speculation becomes distortive and profits are made through the distortion of the market. Speculation is usually motivated by the desire for quick gains and relies on the exogenous forces of demand, supply *(market volatility)* and speculation to achieve monetary gains, rather than acts of creation.

3. Typologies of Opportunity

Opportunities manifest themselves in different ways and can be categorized accordingly. One of the simplest ways of mapping forms of opportunities is by the locus of change they manifest into the environment. Less innovative forms of opportunity tend to be passive/reactive imitation or rent seeking activities, while active/imaginative forms of opportunities tend to require a proactive intervention into the environment where an entrepreneur seeks to change things. Allocative opportunities involve finding new market space through passive analysis of demand and supply and demographics, while the other sector discovery opportunities involve more active entry into the market place with products aimed at developing new market space believed to exist where incongruities and structural change may be taking place.[32] Each form of opportunity is likely but not exclusively associated with a style of thinking as depicted in Figure 4.

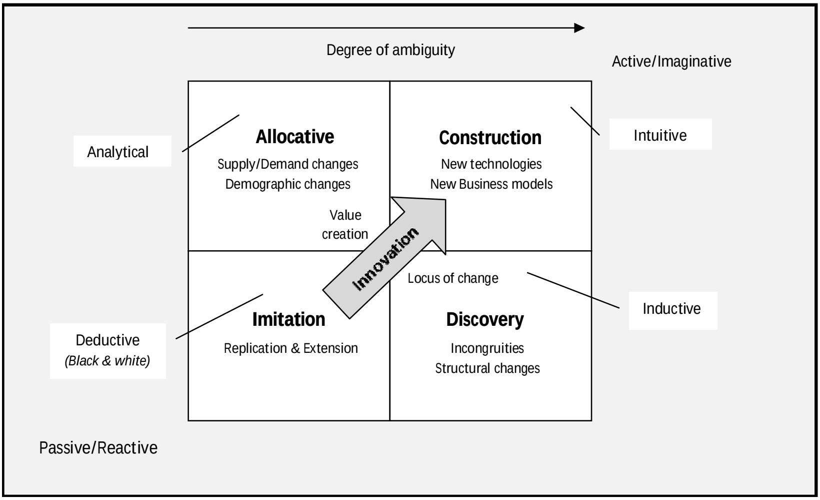

Figure 4 The forms of opportunity

4. Imitation-based Opportunities

Imitation is the most basic form of opportunity. The imitative continuum requires little innovation and there is little value creation. Entrepreneurs see effective business models and utilize the ideas contained within them for their own benefit. There are usually few changes made to any of these observed business models and they are usually adopted in whole with minimal modification. The key for the individual is to select a suitable geographical location or customer group to target and focus upon. The thinking style and narrative would tend to be some form of arbitrary reasoning in the manner of *"people need to buy groceries and there is room for a grocery store in this area," "people need to buy a cup of coffee, sandwich, and newspaper on their way to work, outside this railway station,"* and *"The residents in this apartment building could do with the convenience of a washing and ironing service."* Imitation is reactive upon what a person sees is successful for others, probably with the prime goal of earning a living. This does not differ too much at the corporate level where most companies tend to imitate their competitors, as imitation is perhaps perceived to be a less risky option. Imitation opportunities are usually most effective in safe unambiguous environments, although also highly successful against first movers in technology based high growth markets like what is occurring to the iPad.

It is not too difficult to quantify the size of the opportunity and the key issues are how much market share a firm can obtain and how much will it cost to obtain it. The simplest form of imitation is straight out copying, spanning out into the extension of an idea, duplication in other markets.

5. Allocative-based Opportunities

Allocative opportunities occur when there are mismatches in supply and demand, resources are scarce in certain areas, an individual or firm has a resource monopoly, or demographic changes require specific products and services to fulfill emerging needs and wants. Allocative opportunities primarily occur out of market imperfections or changing demographics which can be identified on the most part through scanning and analysis of the competitive environment. This analysis may show where goods and services are absent, prices are inefficient, and where supply channels and value chains are not effective. Allocative opportunities represent the demand and supply issues in classical economic theory.

Allocative opportunities can be identified through market observation and information. Once identified allocative opportunities can be easily seen, *i.e., the shortage of particular goods and services in the market, or an aging population or baby boom requiring specific sectional goods and services.* The potential of allocative opportunities are greatly enhanced for firms that already serve these markets and have established supply chains and channels of distribution with strong sales networks. The key to recognizing opportunities is through environmental scanning. A powerful source of ideas is through observing similar markets in other countries for new products that have not reached the entrepreneur's market yet, especially in developing markets. There is more innovation and value creation in developing allocative opportunities than with imitation opportunities, but these types of opportunities still remain within a passive/reactive strategic approach. Like imitation, allocative opportunity values are not too difficult to forecast in most cases.

6. Discovery-based Opportunities

Changes in technology, consumer preferences, regulation, and economic conditions most often lead to opportunity gaps within the competitive environment. Opportunities are derived from the attributes of the industry independent of an entrepreneur's action. These opportunities await discovery by an alert individual who may or may not decide to exploit them.[33] If an entrepreneur can understand the attributes and structure of an industry, then he or she will be able to anticipate the type of opportunities available within the industry. These discoveries may require the recombination of old and new knowledge in novel ways to find viable opportunities.[34] However, specific industry knowledge is very important and an individual through industry experience may be able to see industry opportunities that people without specific industry knowledge cannot see.[35] In addition, people with specific industry experience may discover opportunities without any systematic search.[36]

The use of discovery is suitable under conditions of risk and uncertainty where pre-existing information exists about the nature of opportunities in question. The discovery process is also good where firm and industry structure requires change like the need to create economies of scale of lower a firm/industry cost base.[37] The value of the opportunity is extremely difficult to forecast with discovery opportunities until sales actually occur within the market. Inductive reasoning is often used in the discovery process although rational, analytical, and intuitive thinking can also play an important role in the development of the opportunity.

7. Construction-based Opportunities

Some opportunities do not exist until they are constructed by someone.[38] Opportunity construction[39] tends to be unrelated to present information and created through an emergent process of trial and error within the competitive environment.[40] The entrepreneur through experience and interaction with the environment crafts a new opportunity.[41] The entrepreneur does not become aware of the opportunity by reconfiguring information and knowledge in new ways, rather new knowledge is built up through action creating new information from closely observing the results of the intervention within the competitive environment and changing the nature of action according to the results gained.[42] The final result from an entrepreneur's efforts will not be known at the beginning of the opportunity construction process as the future outcome may be totally different to what was originally conceived and irrelevant to present information.[43] A viable opportunity is the eventual result of these actions, resulting from feedback and further action.[44]

Opportunity construction is a path dependent process where an entrepreneur learns what works and what doesn't work as the process of developing a venture progresses.[45] The entrepreneur may not immediately discover the most lucrative aspect of the opportunity first off, he or she may enter into a business which has been identified as part of an opportunity and as experience accumulates, learning occurs where the firm rolls into the full potential of the opportunity by modifying focus, strategies, target customers, etc. For example an entrepreneur may establish a boutique handmade chocolate business but find market sales don't work as well as presenting the chocolates at hi-teas, so the entrepreneur changes focus and strategy away from the product towards running events. The more novel the opportunity that is ultimately constructed through this process, the more learning and new information is required through experimentation.[46] For innovative new products and services customer information is of little use.[47] It is extremely difficult to forecast the value of construction opportunities as it takes time for the entrepreneur to develop a stable income earning business model.

Construction opportunities are an exploratory process where learning through trial and error is a valuable part of developing the opportunity.[48] Failure to learn from action will almost certainly result in failure. Successful opportunity construction may involve many adjustments to action through reinterpreting the results which may require starting all over again or abandoning the idea all together.[49] As the emergence process continues entrepreneurs may be forced to redefine their customers, markets, or even industry they are operating within, technologies and question the original assumptions about the opportunities they are pursuing.[50]

Prior industry knowledge may hinder learning[51] as the individual maybe locked into pre-existing ideas and knowledge. By breaking out of this industry 'conformity,' new ideas, processes, and business models can be developed and introduced into an industry.[52]

Opportunity construction primarily relies on intuitive thinking to tap a person's creativity and imagination. The process of effectuation discussed in Chapter three is very common where an enterprise is built upon what is available rather than deciding what is needed before start-up. This approach results in incremental 'step by step' growth where resources are acquired as needed, *i.e., a new airline purchases aircraft as it is able to open and develop new routes.* These types of opportunity are socially constructed,[53] within the confines of the culture the entrepreneur is immersed within. Opportunity construction is powerful where little knowledge is available, especially where new technologies or new business models are concerned.

Under conditions of uncertainty, learning is probably more useful than planning.[54] Opportunities in this form have fewer precedents to learn from other forms of opportunity and entrepreneurs will develop their own knowledge structures to give the information they generate form and meaning.[55] Constructed opportunities are usually the most disruptive to the competitive environment.

All of these forms of opportunities exist in the real world.[56] Which form of opportunity is manifested to the entrepreneur will depend upon the information available and level of ambiguity, and it may not be uncommon for entrepreneurs to switch from using one form to another in developing the opportunities they exploit.[57] As time goes on more information may exist where the discovery mode may become the most apt aid in opportunity development. A comparison between the four forms of opportunity is shown in Table 1.

Table 1 A comparison of the four forms of opportunity

Aspect	**Imitation**	**Allocative**	**Discovery**	**Construction**
What is an opportunity?	The possibility of undertaking a known activity in a select geographic or customer space.	The possibility of gaining market space through finding mismatches of demand/supply and changing demographics, etc, and employing resources to exploit these mismatches.	The possibility of taking advantage of potentially identified market gaps due to technology, social issues, regulation, or economic situation.	The possibilities of creating (new) ends through new means.
What is the focus?	Operational focus.	Focus on potential market space and developing exploitive strategies (i.e., new product development)	Focus on potential market space and developing exploitive strategies (i.e., new product development)	Emergence through strategies and feedback.
How are opportunities identified?	Opportunities seen by observing other successful businesses and replicating them.	Opportunities recognized through deductive reasoning.	Opportunities discovered through inductive reasoning.	Opportunities constructed through intuitive and abductive reasoning, trial & error, experimentation.
Assumptions of entrepreneur	A selected business model and type will work in the selected market space.	A belief in information and data.	A belief that new market space exists from the incongruity and/or industry structural changes.	Wide continuum of assumptions by different entrepreneurs, but usually display strong sets of values.
Uncertainty	Uncertainty managed through imitation (what works for others will work for him or her).	Uncertainty managed through product portfolio diversification.	Uncertainty managed through control of channels, networks, adequate resources and some experimentation.	Uncertainty managed through effectuation using different cognitive styles and experimentation.
Desired outcomes	A viable business with a sustainable return.	Success within the selected market space.	The creation of new market space, differentiation from competitors and avoidance of failure.	A viable new product, service, business model that is differentiated from competitors and has taken new market space.

Large firms in markets where the level of ambiguity is low will tend to rely on rational and analytical approaches to opportunity recognition, often constrained by the formal strategic planning and management processes they have in-place.[58] A major part of management literature today focuses upon assisting corporations shed themselves of their rigidities and tunnel vision to become more innovative and entrepreneurial. To many SMEs, opportunity is the only strategy that the entrepreneur has. Opportunity is firmly implanted within the entrepreneur's mind and vision, and all efforts and initiatives focus upon exploiting it and learning through doing, trial and error, making mistakes, feedback from peers and customers, etc., copying others, solving problems, and general experimentation.[59]

8. The Environment of Opportunity

When looking in retrospect opportunities may appear very simple and oblivious, but they are in fact very complex phenomena which are influenced by numerous factors within the environment and through our own social interpretations.

The environment changes because of emerging new technologies that change the nature of products, markets, and industries, consumer financial wellbeing, social attitudes, habits, and values, and political and regulatory actions. New information that emerges with society may change social attitudes, or lead to the creation of new regulatory requirements. The actions of other firms may change the nature of the environment bringing new products that increase expectations and/or new business models that radically change supply and value chains. Sometimes industry boundaries merge into other industries like we are seeing within the digital camera and mobile phone industries today.

The general environment develops and closes off opportunities while opening others. For example Woolworth's retail business thrived for many years because it occupied choice locations in the centre of cities. However when the choice retail sites became outer suburban areas along highways, where people have moved due to urban sprawl. Woolworth's business suffered and Wal-Mart was able to take advantage of this and rise. Opportunities are also affected by shocks that force change. These may include events of nature like natural disasters or droughts, etc, or human initiated shocks like political upheavals, economic disasters, and wars, etc. Opportunities may just become exhausted by competition which destroys profit potential and incentive to act.[60] This particularly occurs with imitative and allocative opportunities. The environmental factors that lead to change are depicted in Figure 5.

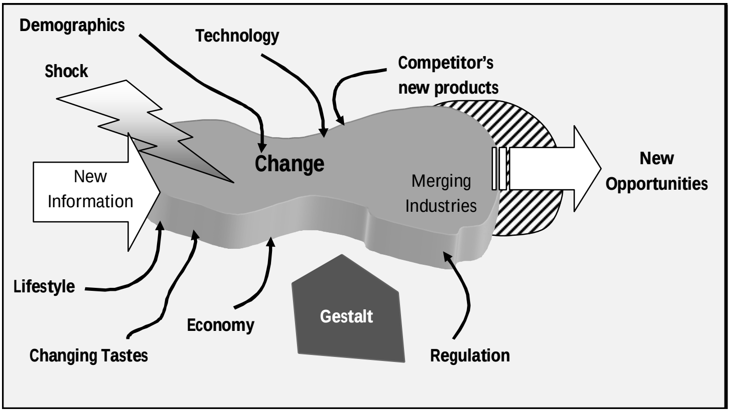

Figure 5 The opportunity environment

What makes opportunities unique are the different ways individuals perceive the environment. Each individual will see the environment with different available information, as information is not dispersed uniformly through the society.[61] Because situational motivation, perceptions, self-efficacy, range of social networks, available resources, and situational pressures differ in very subjective manners, each individual's product opportunity set differs from others. Individuals face biases from information overload, anxiety about uncertainty, different emotions, ego, which influence cognition and make individuals susceptible to counterfactual thinking, affect infusion, self serving bias, planning fallacy, and self justification, etc.[62] Different types of cognitive biases are likely to emerge in different situations.[63] Different situations and contexts will affect idea generation and whether a person is reactive, pro-active, or indifferent to what they see. Entrepreneurs may see that they are right while everyone else is wrong as everyone has a different perception of a situation.[64] An entrepreneur may not see things as a given, but as something he or she can do something about.[65] Different firms will provide different underlying thinking environments which enhance ideas or increase bias and hinder decisions individuals make.[66] A firm's resources, capabilities and self view will greatly affect the firm's member's image and expectations about the future.[67] Different leader's mental models play a critical role in shaping the future direction of the firm.

Continual change and perception is what creates the potentialities of opportunity and this is what drives entrepreneurship.[68] Individuals must perceive the concept of an opportunity through the gestalt of images to develop a concept into an idea and configure skills, resources, and networks into strategies to form a solid opportunity. This opportunity should be embedded within the market and economic, social, technological, political, and cultural interrelationships of the environment.[69] The opportunity must meet the social and infrastructural conditions for it to be viable in society. It must meet the ground rules concerning exchange between different units within the environment according to how they should be carried out, where a shared trust can be established between the participants within the environment.[70] These accepted actions, rituals and arising meanings give acceptability to the opportunity if it meets all requirements of solving a problem and arousing the right emotions, enthusiasm rather than reluctance, among various groups within the environment.[71] The embeddedness of the food distribution and retail network into society is depicted in Figure 6.

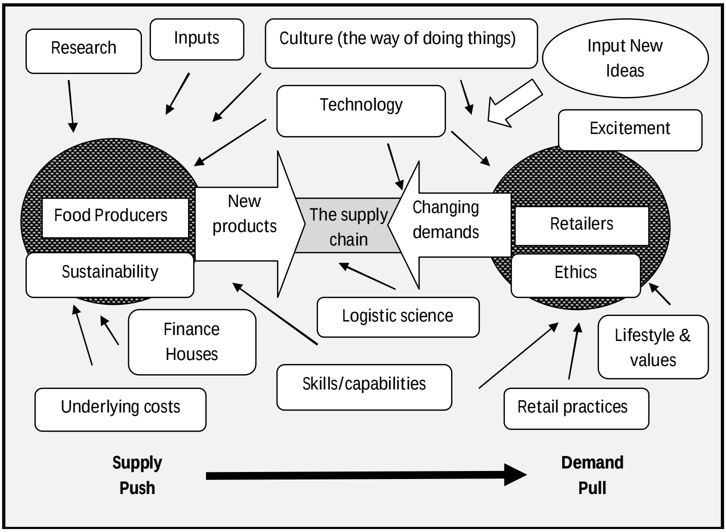

Figure 6 The embeddedness of opportunities within the environment

The embeddedness set will vary according to time and space. For example consumers in the 1940s were primarily concerned about supply because of food shortages after the Second World War. Price became a major issue with consumers in the 1970s, and choice in the 1980s. Consumers required more information about the food they were eating in the 1990s and in the last decade the food market has developed multiple issues concerning buying issues like gourmet meals, food traceability, organic and ethical foods and new convivial environmentalism where farmers markets and buy local issues have been developed into alternative supply and value chains.[72] Different nations have different food preferences, methods of production, logistic supply chains, and retailing which lead to different embeddedness sets which will shape different opportunities.

A new technology brings with it a number of new opportunities in addition to the original intended purpose of the technology. For example, the railways allowed the transport of fresh milk and meat to markets much further away, just as air freight allows the quick and efficient transport of live seafood around the world. Air travel also required the invention of complementary goods and services like baggage, airport transport, and travel insurance, etc. The advent of broadcasting enabled the formation of production companies and other specialized service firms, just as the automobile industry enabled the formation and development of many satellite suppliers of car parts for production.

It is generally believed that technology development creates dynamism in industry and this is a major source of opportunity. For example the development of new building materials for construction brings more choice. Although many emerging technologies can favor small scale production through the availability of cheaper capital goods, decreasing minimum efficiency scales, and possibilities for flexible specialization,[73] new technologies also may create barriers to entry for new firms entering specific markets and participating from regions where the technology is not available. Technology advancement can also put firms relying upon older technologies, especially traditional producers out of business. For example before refrigeration, ice supply houses flourished, now they don't exist. Polaroid processed a monopoly of instant film processing technology but lost its position in the market as consumers changed their habits as new technologies (digital) arrived. Innovation in the news and entertainment industries has completely changed the industry's nature.

Although technology evolution is increasing the potential spectrum of opportunities, the nature and complexity of opportunities is also rapidly increasing.

During periods of economic growth in the 19th and early part of the 20th centuries, major industrial changes occurred which created opportunities that allowed the formation and growth of companies including Ford, General Motors, Standard Oil, General Electric, and AT&T.[74] This also occurred in the second half of the 20th Century and first decade of this Century in the computer and internet industries with the formation and rapid growth of companies like Microsoft, Apple, Google, eBay, and Amazon, etc. As the Chinese economy has grown rapidly over the last decade Chinese entrepreneurs have been able to exploit emerging opportunities. This has led to the establishment and growth of Chinese companies to the point that today the capitalization of the top 500 Chinese companies is higher than the top 500 US companies.[75] In growing economies the entrepreneurs and firms involved begin to perceive the emerging situation within a universal mental construct that comes into existence leading to a *'bandwagon effect'* in the actions they take in creating numerous innovations, and the start-ups of new firms.[76] Size, technology and critical mass seem to enable firms to exploit many more opportunities.[77]

As markets and economies grow, so do opportunities according to the forces at work that bring economic, socio-political, and technological change. In these times of change many successful companies struggle to survive. Many of the *'excellent'* companies IBM, NCR, Wang Laboratories, and Xerox, Tom Peters and Robert Waterman wrote about in 1982 in their book *In Search of Excellence* seemed to be trapped by their success that prevented them in thinking in new ways and transforming themselves to meet the new challenges. Focusing on available opportunities seems to be a more important factor for success than the way a company is organized or plays out its strategy. If the successful identification and exploitation of opportunity is the most important factor for success, then the nature of opportunity should therefore be the major focus of the firm.

9. Seeing Opportunity

The creation of a new venture is more an evolutionary process rather than an event.[78] Conceptual and idea development comes from an alertness which is dependent upon peoples' cognitive processes and experiences.[79] Cognition research has shown that prior knowledge is paramount to the capacity to recognize opportunities[80] and creativity is important in elaborating and developing them into something exploitable.[81] In addition to prior knowledge and creativity, a person's managerial, technical, strategic and entrepreneurial skills and competencies have strong bearing on what a person perceives within the environment.[82] The small differences in perception at the beginning of the opportunity process may lead to very different ideas and subsequent strategies. How different people react depends upon individual responses to stimulus related to their knowledge and the situation.

As a consequence of the above arguments, peoples' emotional sensitivity to the environment will differ across the general population (see Figure 7). Emotional sensitivity is a person's ability to be sensitive to the dimensions of an actual situation that can be shaped and acted upon. This requires the capacity to perceive complex aspects of any situation rather than looking for ways to simplify how to deal with what one perceives through heuristics and other cognitive biases. Everybody sees the environment according to their own assumptions, beliefs, and understandings that can get in the way of a person seeing what is actually there in front of them. This is influenced by our prior knowledge and fundamental assumptions of the world.[83] Emotional sensitivity involves unbiased perception to stimuli within the environment of any particular situation that may house potential opportunities or require decision making.

Emotional sensitivity runs across a continuum from *mindlessness* to *mindfulness.* Mindlessness numbs individuals' senses to the outside environment and patterns them into seeing situations as absolutes.[84] Whereas mindfulness is a state of psychological freedom without any attachment to any point of view and being attentive to what is occurring at present.[85] Many peoples' emotional sensitivity is inhibited by their past categorizations, rules and routines that cloud the ability to view any current situation with novel distinctions.[86] Therefore the more mindful a person is, the more open to the environment they will be.

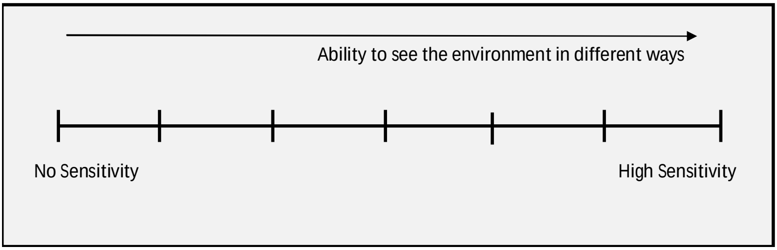

Figure 7 The continuum of emotional sensitivity

Mindfulness allows a person access to environmental perceptions without pre-patterning schema blocking or altering the interpretation of events. The more mindfulness, the better the perception of opportunities, however other facets such as prior knowledge are still vitally important, which without any individual will not be able to perceive opportunity for new ventures, products, and services.[87] Langer proposed that mindfulness may enhance the ability to perceive and shape new opportunities through five components that have been empirically tested:

- Openness to novelty – the ability to reason with relatively novel forms of stimuli,
- Alertness to distinction – the ability to distinguish minute differences in the details of an object, action, or environment,
- Sensitivity to different contexts – tasks and abilities will differ according to the situational context,
- Awareness of multiple perspectives – the ability to think dialectically, and
- Orientation in the present – paying attention to here and now.[88]

One would assume that the degree of mindfulness an individual possesses will also influence the depth of opportunity that can be observed within the environment. Table 2 shows the different levels of ideas that can be observed and associated forms of thinking involved in seeing and creating them.

Lack of mindfulness would not stop a person search deliberately for opportunities through undertaking market and industry analysis,[89] suitable for imitative and allocative forms of opportunities.

Table 2 The Levels of Ideas

Level One	Imitation	See and belief, little thought except for viability- logical thinking
Level Two	Creative Imitation	See and enhance, maybe with some connection, logic and holistic creativity
Level Three	Creating a new business Model	Connectivity of different pieces of information, some imaginatively, or through re-engineering
Level Four	Creating something new to the world	Complete holistic, imaginative construction, building from deep and sparse pieces of prior knowledge.

However it is sometimes advantageous to utilize heuristics that prevent a person seeing *'unrealistic'* ideas for their personal or firm situation. An individual's or firm's level of skills, competencies, capabilities, resources, networks, attitudes, values, and sense of mission will be suited best to certain opportunity magnitudes. According to Markman and Baron, the closer the fit between an individual's attributes and the needs to exploit the opportunity, the more likely the opportunity will be successfully exploited.[90] This can no better be seen in a person's desire verses scale. Certain types of opportunities best suit certain types of entrepreneurs according to the size of their business (resource sets) as Figure 8 depicts.

In addition to scale, entrepreneurs may also have a point of anchorage from where business opportunities are perceived. For example, and automobile manufacturer would tend to look at value chain opportunities like downstream investment in car dealerships and service centers and upstream investment in auto-part manufacturing. Soft drink bottlers may consider developing wholesale distribution centers and franchise operations, as may fast-food providers. Grocery chain operators may consider diversification, moving their business model into other products like hardware, etc.

There is anecdotal evidence that opportunity and new venture creation is a deeply emotional activity.[91] Although Schumpeter and Keynes alluded to the emotional side of entrepreneurship,[92] there has been little exploratory or explanatory works linking the variable of emotion with opportunity.

Emotion is closely associated with cognition and is influential upon our perceptions and behavior. Through emotion people tend to be either drawn towards or repelled from certain situations. Emotional energy is important in determining the level of effort and enthusiasm put into something, and can perform a motivation role. There is a continuum of emotional charge ranging from excitement and happiness on one side to depression and sadness on the other.[93] The cognition component acts through our memory resulting in expectations about situations.

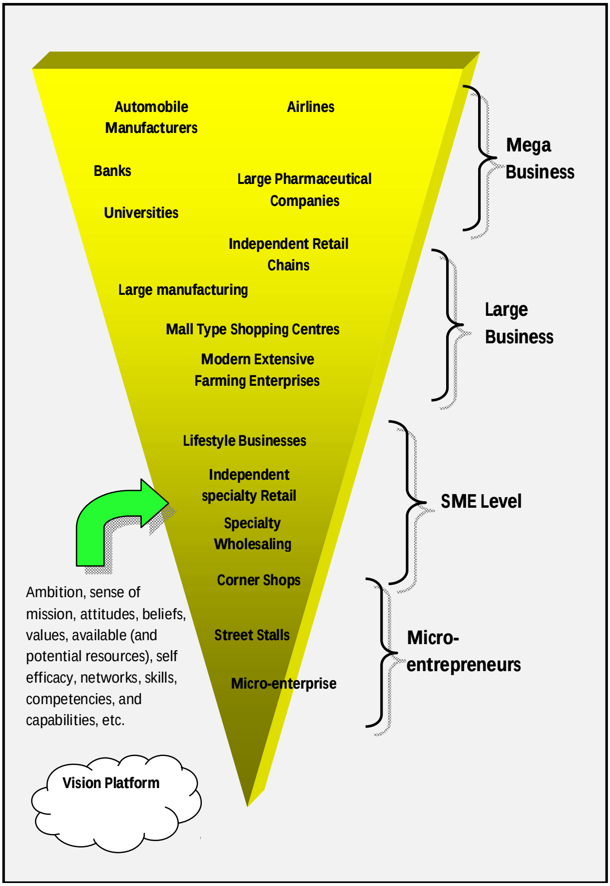

Figure 8 Business and opportunity scale

Our emotions are also connected to the wider social world where participation in particular situations brings peer and other observer emotion that may encourage or discourage action. This could be seen in the development of the personal computer or the culture that has developed at *Palo Alto* in California where individuals are immersed in a positive inertia of enthusiasm and excitement around them that encouraged innovative practices within their domain.[94] In this way opportunity and innovation can be seen as a collective social activity. The whole personal computer market can be seen as a movement of enthusiasts seeking fulfillment, rather than the actions of a single astute entrepreneur spotting an opportunity.[95] The personal computer, the internet, green energy, and biotechnology industries can be seen as people seeking participation within an industry as a membership symbol

– a collective sense of effervescence.[96] This membership can combat any prevailing sense of skepticism from the general community concerning new concepts and ideas.

People vary in their motivation to look for opportunity and exploit it. There are some forms of motivations that may, although research is yet inconclusive, increase the propensity of people to look for and act upon opportunity. These include the need for achievement, risk taking propensity, goal setting, independence, drive, and egotistic passion.[97] People with high self-efficacy may be more encouraged to act than those with lower self-efficacy and a host of other cognitive factors like overconfidence and representativeness biases may also influence their decisions. What also plays a role in motivation is a person's view of the opportunity cost of pursuing the opportunity,[98] their level of financial capital,[99] creditability and relationship to investors,[100] career experience,[101] personal knowledge,[102] and even some psychological assumptions like the need to control. Differing motivations and biases will lead people to perceive and act differently to others in the same situations where the same information, skills, and resources exist.

Opportunities can be deliberately sought after through scanning the environment, or alternately recognize the value of information and ideas they come across, without any intention to seek new opportunities.[103] An organization may scan the environment to understand the external forces of change so that it may find ways to improve its position in the future by finding new opportunities to exploit. Environmental scanning is a mode of organizational learning, where organizations differ in their approach to scanning. Where an organization believes the environment is analyzable, where events and processes are measurable, it will tend to systematically gather and analyze information, whereas an organization that believes the environment is not analyzable, it will tend to interpret what is going on as an explanation of past behavior.[104] Which approach used will also depend upon the amount of information available and turbulence within the environment. Analysis is better for identifying imitative and allocative types of opportunities and interpretation is better for discovery and construction types of opportunities. Accidental discoveries may occur because of emotional sensitivity and mindfulness described above in what could be called a *'passive search'*[105] where an individual is receptive but not engaged in any formal systematic search.

Most new ideas are adaptations of something already existing and most business ideas emerge from a situation or problem that the entrepreneur sees within his or her immediate environment. Hills listed prior experience as the source of 73% of new ideas, business associations 33%, a similar business 26%, a hobby or personal interest 17%, market research 11%, serendipity 11%, and other sources 7.4%.[106]

10. Evaluating Opportunity

The opportunity-entrepreneurial process is decision demanding across the whole spectrum right into the gamut of strategy and daily operations. The feasibility of the spotted opportunity will only truly be known during the implementation of strategies selected to exploit it, as only then the true nature of the opportunity can be observed. Before actual start-up the real nature of the opportunity is mysterious and the real issues involved only emerge as strategy is implemented, and we can only suppose and speculate about its nature and characteristics.

The opportunity-entrepreneurial process is shown in Figure 9. This begins with our perceptions and personal creativity, supported by our competencies in spotting ideas. The rest of the process involves the evaluation of an idea to determine whether an opportunity actually exists. Innovation is required to evaluate and elaborate on the idea. Suitable strategies out of a number of possible options need to be selected which involves strategic thinking. Our skills, resources, networks, capabilities and strategies should than match the nature of the opportunity for exploitation to be successful, as it is our management capability that is important in effectively exploiting the opportunity. As we progress in the exploitation of the opportunity, we learn more about its nature and modify our strategies in accordance with what we learn. This together with the accuracy that we have matched our strategy with our perceived nature of the opportunity, and level of competitive advantage we have developed within the competitive environment determines performance.

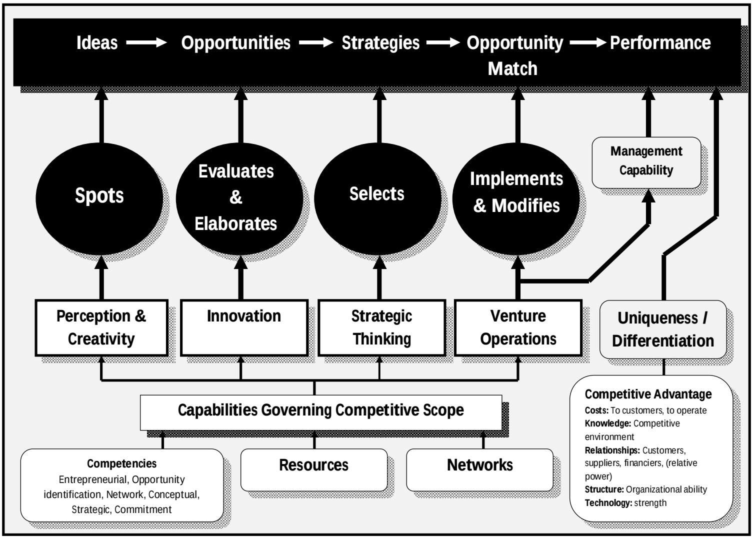

Figure 9 The opportunity-entrepreneurial process

The depiction of the opportunity-entrepreneurship process infers that it is a learning process where the entrepreneur/firm selects the strategies and operational processes that best serve them – becoming a unique theory applicable for the entrepreneur/firm in question. Although the opportunity-entrepreneurial process is unique for every firm, there is a common structure that defines the process of opportunity exploitation depicted in Figure 9.

Some of the skills needed for the successful operation of a particular business maybe unique to that business and cannot be formally learnt. For example, the character Miranda Priestly in the David Frankel directed film *The Devil Wears Prada* had an uncanny ability to pick next season's fashion successes which was one of the primary reasons that the *Runway* magazine was so highly successful. These types of skills enhance the perception of opportunity in specialized domains and themselves attributes that can assist effective business performance.

In addition, because of a unique environmental position and combination of resources existing with each firm, the barriers to entry and obstacles to successful implementation will also tend to be unique to each firm. What is an insurmountable barrier to one firm may be a strength for another. This in part gives ideas various levels of attractiveness as opportunities to different firms.

Opportunity is a relative concept which can be measured by the potential return that it may provide a person perceiving it. The value of this return will vary according to individual. For an idea to qualify as an opportunity, it has to provide a viable return for the individual, which is not a static benchmark, as it differs between people. Therefore what might be an opportunity for one person may just remain an idea for another.

Another factor influencing the viability of an opportunity is the uncertainty and risk involved. There will always be uncertainty with any potential outcome of a new venture. This includes the uncertainty regarding demand and uncertainty regarding capability. Both of these forms of uncertainties create some probability of failure, but individuals see these uncertainties very differently. For example, some individuals will exhibit biases of overconfidence and high perceptions of self-efficacy which lowers their perceptions of uncertainty and risk with the idea and thus deeming the idea an opportunity in their perception.

Uncertainty will always exist with a venture and there is no way of eliminating this.[107] As the opportunity-entrepreneurship process is a learning process, this infers that we start out not knowing what the future will be and where we will quite end up. The future cannot be known in advance and this is a source of uncertainty about what will occur.[108] What will potentially occur can only be calculated as a probable outcome. Forecasting is a matter of extrapolating historical data which will provide different results depending upon the methods used and in the case of new products and new ventures there is no historical data to base any forecasts on. The future cannot be forecast, only expected and there are dangers in using forecasts as imaginary maps we believe to be true.[109] The environment will always change unexpectedly which requires changes in strategy to accommodate these phenomenon.

There are two aspects of entrepreneurial risk. First there is risk of firm failure. In the worst case scenario, a business failure can lead to a loss of investment, and even bankruptcy. Venture failure also carries the personal stigma of failure for the individual which is viewed differently in various countries. The second form of risk is in changing lifestyle and that mishaps in pursuing an entrepreneurial opportunity will result in a loss of current income and lifestyle.

Due to the wide and varied nature of ideas, there is no one correct way to evaluate opportunity viability. Imitative and allocative opportunities can be analyzed in terms of market demand at the customer level, market size, and margin analyses based on historical data. Critical to underpinning the viability of imitative and allocative opportunities is the market-share that the entrepreneur can potentially gain and the size of the market.[110] This will not just depend upon the qualities of the product, but the abilities of the firm to promote and distribute the product.

However discovery and construction opportunities rely on much more intuition and *'gut feel'* in evaluating viability. The high levels of uncertainty of these types of opportunities makes conventional forms of strategic analysis of very limited value.[111] These types of opportunities are usually best if evaluated informally or even unarticulated.[112] Formal business plans and forecasts based on historical information do little to assist in the analysis of the viability of the idea and any large amount of time spent analyzing the idea in depth will probably not shed much further understanding or reduce uncertainty about its potential success. Entrepreneurs will probably look at the opportunity cost of investing time and resources into the idea under conditions of risk and uncertainty and then compare this to a situation where he or she had pursued other actions of choice.[113] The only way to understand the viability of the opportunity is to learn about it through implementation, where the willingness to continue experimenting is a further expression of commitment by the entrepreneur.[114]

The only aspect of discovery and construction opportunities that can be evaluated is by considering the probable customer perception of the value proposition and price-value relationships – which are purely subjective. These perceptions can be further tested as to how easily this value is perceived by potential customers through focus groups. The longer it takes for individuals to perceive value, the more risk in the inherent opportunity.[115]

The value of opportunities will vary between industries, but this does not appear to be a major factor influencing entrepreneurs in their focus upon industries that have opportunities of higher value. The average value of opportunities in one industry may be lower than another but an individual's types of experiences and aspirations will influence where their focus and attention is applied. Weight is apparently given to areas where an individual feels interested and is capable of exploiting.

There are also timing and resource costs, among other factors that influence opportunity viability. For example, Butler Lampson and Chuck Thacker, two researchers at Xerox who invented the first personal computer – the Alto, cost over USD $10,000 to build. Steve Jobs and Steve Wornack's Apple design cost around 20% of the Lampson and Thacker design to build, making the Apple more viable as an opportunity. Although there were other factors involved like Jobs and Wornack's intention to go into business prior to designing the Apple, this example shows that other environmental and motivational factors create different scenarios of viability for potential opportunities, and that individuals make different decisions based upon these factors.

Opportunity evaluation becomes a complex interrelationship of subjective and objective issues that can be looked at with a modified SWOT analysis used in strategic planning. Strengths and weaknesses refer to internal influences on the individual or firm and affect the ability to exploit any opportunity. These would include issues that the individual perceives as strengths that can be capitalized upon and weaknesses that must be improved so that they don't inhibit potential opportunity exploitation. Threats relate to issues from the external environment which is perceived to be critical to the activities and wellbeing of the enterprise that would exploit the opportunity. Risks and uncertainties would include factors that would either make outcomes uncertain in the future or that may lead to venture failure. Strengths, weaknesses (internal) and threats, risks and uncertainties (external) should be examined around the opportunity. The viability of the potential opportunity is a function of the surrounding strengths, weaknesses, threats, risks, and uncertainties. It must also be remembered that our perceptions of opportunities are influenced by emotions, cognitive biases and heuristics which affect of judgments about viability. This framework is shown in Figure 10.

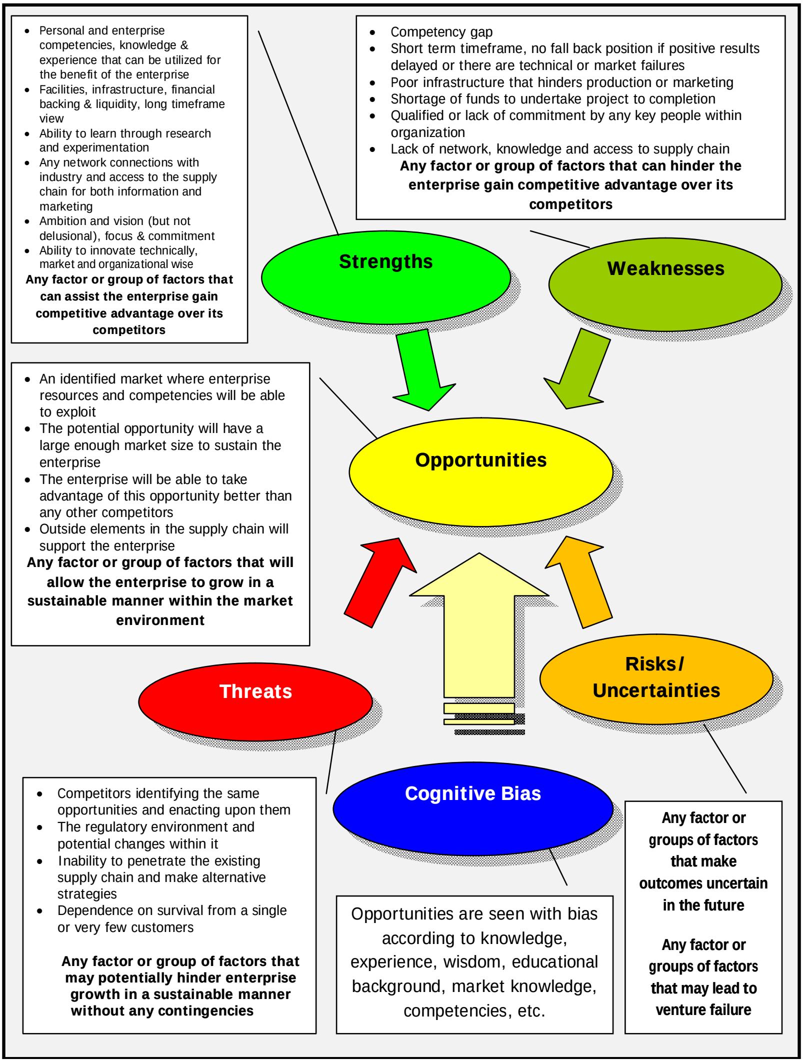

Figure 10 An opportunity evaluation framework

For an idea to become an opportunity it must;

a) Represent a future desirable state that an individual has aspirations for,

b) It must be achievable, and

c) An individual or firm has the skills, resources, and networks, or can acquire them to exploit the opportunity.

The analysis will lead to a set of questions that can help determine whether the above criteria can be met.

1. What is happening in the competitive environment?
2. What changes are occurring?
3. Will these changes continue to occur?
4. What do I know that others don't know (or behave like they don't know)?
5. How can I carve out a unique or novel place within the competitive environment where others don't exist?
6. Can the idea be accepted?
7. Do I have the skills, competencies, capabilities, resources and networks (or can I build them up and/or acquire them)?
8. Will this be beneficial to the consumer and me?[116]

But as every idea is unique, at least situationally, a different set of criteria is required to evaluate different types of ideas.

The consideration and determination of the answers to the above questions may be influenced by some higher order heuristics like:

1. *Risk-reward profile:* the valuation of relative rewards and risks, where a person will weigh up the worth of forgoing guaranteed income and health insurance, etc., against the potential benefits that could be gained by pursuing an opportunity.[117]
2. *The reference benchmark:* Individuals use reference points to decide on what they may do based on their pertinent aspirations at a point of time,[118]
3. *Reasoning:* Every individual seeks to control the flow of events they are involved in with their own expectations, anticipations, hypothesis to test and experiments to conduct and as a consequence has different viewpoints from others.[119]
4. *Pareto optimal solutions:* the idea maintains a level of well-being for all without causing any personal loss or psychological stress to any participant in the market space, while increasing the personal well being of the entrepreneur,[120] and
5. For socially conscious entrepreneurs a *Nash equilibrium outcome:* a solution that has all individuals satisfied with a pattern of outcomes that improves the position of the entrepreneur, and for members of the new venture team, while also increasing the level of satisfaction with life as a whole for the society at large.[121]

As a consequence, information will be interpreted differently by individuals who may think of similar ideas, but have completely different vectors of that idea in mind.

There are many types of businesses where it is extremely difficult to identify the elements of success, e.g. restaurants, boutiques, and spas, etc. They rely on very tight (but not necessarily apparent) formulas for success, which the entrepreneur may not even understand. Also quite often what looks like a solid viable opportunity that appears very logical and may even gather favorable market research[122] may fail dismally in the marketplace. Some examples of spectacular market failures include Federal Express's launch of ZAP Mail facsimile service in 1984, The Coca Cola Company's launch of New Coke in 1985, and the launch of 3G video calling around 2003.

11. Chance and Fate

Chance and fate is responsible for the creation of many firms and industries. Chance is closely associated with time and space and is not a random occurrence. Chance is reliant upon an individual possessing prior knowledge, perceptions, and cognitive thinking skills and be willing to act for chance to have a benefit. Chance is reliant upon a person having the relevant technical and/or business skills so that he or she will have the confidence to exploit the opportunity they have seen; otherwise the opportunity will take up only a short span of attention and be quickly forgotten.

Chance also has its roots in domicile outlook.[123] A person will be influenced by their parents, family, friends, social institutions like schools and culture influences the locust of control, adversity to risk taking, self esteem, sense of identity, and other attributes like creativity, innovation, and the propensity to interact socially. Culture also influences one's belief in fate and if one believes that it is important to be in the right place at the right time, with the right perceptions and right skills and some knowledge, this will to some degree predetermine fate. In addition location is very important. People living in the heart of Borneo, or the plains of Siberia, will have different outlooks and access to information, knowledge and people than people living in Palo Alto, California, London, New York, or Sydney.

On national levels, the dimension of time and space gave the United States a great advantage after the Second World War as no other country was in a position to make a challenge until the 1970s. At firm levels, Coca Cola and Caterpillar went international because both companies followed the US Army around the world. Global interconnections have tremendous effects on industries around the world. The oil shocks in the 1970s created many winners and losers, turmoil in the Middle East in 2011 is creating great stress on price levels which are felt all around the world, particularly on food prices. Political instability in the Ivory Coast is affecting the price of chocolate all around the world forcing companies to consider reformulating their products. Chance events outside the control of firms such as new inventions, the development of new technologies, external political developments change industry structures that change the nature of opportunities.[124] Chance changes discontinuities that change the competitive position of resources, nations, industries, and firms that can change the nature of supplier-customer relationships, raise the urgency to undertake research, and create new advantages/disadvantages for firms located in various countries.[125]

It is easy to explain the invention of products and start-up of firms as chance events created by a visionary or inventor located in any nation. However these events don't completely occur by chance as there are usually other underlying factors that may be present or act as a precursor. What may look like chance may be a difference of factor environments across different regions.

12. Conclusion

Opportunity is as much about aspirational designs about what the future could be, coming just as much from the inside as it does from the outside environment. Start-ups depend upon the drive of someone to turn an idea into an opportunity. This requires special perspectives that permeate through entrepreneurs of the ages.[126] And it is this special perspective that opens up new market space.[127] This is tied to emotion, motivation, our perspectives, creativity and courage.

Opportunity is about learning rather than planning, where ideas emerge and strategy is crafted and shaped around the opportunity, as it is seen. It is not knowledge that is important, but how knowledge is processed through creativity and what is then done with it.

We have also seen that some people seek limited opportunities based upon their domicile outlooks, skills, and resources, while others have large ambitions and even visions of grandeur. We have also seen that there is no set of rules, no formal theory that can explain all this. Opportunity and success is situational, and it must be seen in this context, depending upon so many factors. Opportunities are not something equal to all. People have their own vision, time frames, abilities to perceive, emotional sensitivity, levels of knowledge and domicile outlooks that influence their ability to see opportunity.

The continued pursuit of opportunity is something very important to the survival of a firm. The author's research into the Fortune 500 data shows that firms continue to prosper when their sectors are in growth mode and struggle when growth in their sectors slows down and declines. But what can also be seen is that over half of the formation of Fortune 500 companies occurred during times of economic recession where there are structural changes to industries taking place.[128]

Most businesses fail from not fulfilling the requirements of the identified opportunity, through misreading it, or not having the correct combination of resources to exploit it. They fail to have an adequate or appropriate appreciation for the intangible part of opportunity. Correctly acquiring opportunity requires flexibility and changes in direction from where a firm first started out.

Seeing opportunity can be inhibited by internal complacency. This is the prime cause of many enterprise failures. Opportunity on a national scale can be inhibited through a *'rent seeking'* or *'corrupt'* business culture prevalent in many developing countries, the creditability of law and fairness of regulatory conditions, monopolistic environments, high costs of doing business, low economic growth rates, and other general barriers to entry for firms entering the market.

The reality is that although humankind has landed upon the moon and returned safely, mapped the human genome, and descended to the deepest oceans on earth, we cannot be totally sure of the real existence of any identified opportunity until it is exploited. Successful entrepreneurial opportunity exploitation may be the only real way of identifying true opportunities, thus any opportunity requires the entrepreneurs participation in the environment to exist.

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83. Prior knowledge influences what we see. For example an infant visiting an agricultural show for the first time who has not seen a bull before, may identify it as a large dog that it understands as a domestic pet until he or she is corrected by a parent or other bystander as to the existence of bulls. Thus it is prior knowledge that determines what a person sees in this case. A person's decisions and behavior will be influenced by their basic assumptions. For example people may believe that they can control nature may tend to discard the potential effects of nature when making decisions about activities like farming, whereas people who believe that nature cannot be controlled will develop their decisions based on a respect for the power of nature and possibly try to find ways to work in harmony with nature.

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