

The effect of prior knowledge and business idea alertness to entrepreneurial opportunity in Indonesia

P. A. Kusumawardhany & J. D. Tresnawati

University of Surabaya, Surabaya, Indonesia

ABSTRACT: Today's digital era offers ease of information that causes fierce competition. An individual may conclude that trying to start a new business is a worthwhile thing to do. On the other hand, the opportunities for entrepreneurship are not easily achieved. By using prior knowledge as cognitive factors and alertness to the business idea as behavioral factors may impact two aspects, the discovery and the creation of entrepreneurial opportunity. The purpose of this study is to investigate the influence of prior knowledge and business idea alertness on the entrepreneurial opportunity. The samples of this study were one hundred (100) Indonesian entrepreneurs. Partial Least Square (PLS) processed by Smart PLS 3.0 was used to test the proposed model. Findings of this study show that prior knowledge has a positive effect on business idea alertness. The higher the prior knowledge and business idea alertness, the higher the entrepreneurial opportunity.

Keywords: knowledge, entrepreneurship, business idea alertness, opportunity

1 INTRODUCTION

1.1 Background

Lately, there have been many business competition issues that arise because of very rapid technological changes, especially in the field of trade with the presence of various applications that facilitate e-commerce. Data from Indonesian Ministry of National Development Planning, Indonesian Central Bureau Statistics (BPS), and the United Nation Population Fund predict that in 2018, the number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia will reach 58.97 million people. While Indonesia's population in 2018 is predicted to reach 265 million. Based on the BPS data, 3.79 million MSMEs had utilized digital technology or e-commerce businesses. Most MSMEs utilize the main online market place platforms in Indonesia, such as Bibli, Tokopedia, Lazada, Bukalapak, and social media platforms such as Facebook and Instagram.

The process of identifying and exploiting potential opportunities are very important to create business. Many researchers have introduced "opportunity discovery" as an important element in the process

of entrepreneurship and business creation (Hajizadeh & Zali, 2016). Information can be accessed through digital media and the availability of various digital platforms can expand opportunities to become entrepreneurs. Unfortunately, the availability of digital platform as useful tools still does not guarantee that entrepreneurs can successfully develop their business.

There are still many entrepreneurs constrained by business capital, marketing strategies, knowledge of digital technology, and lack of business creativity and innovation. As a result, their efforts went stagnant and did not experience significant progress.

Park, Sung & Im (2017) conclude factors that significantly influence two stages of the business creation process namely opportunity discovery and creation. The former is prior knowledge as a cognitive factor and the latter is entrepreneurial alertness as a behavioral factor. These important factors are needed in identifying entrepreneurial opportunities and their contribution to the success of entrepreneurs.

1.2 Purpose of This Study

This study aims to clarify whether prior knowledge and business idea alertness have a positive impact on the discovery and creation of entrepreneurial opportunity in Indonesia.

1.3 Prior Knowledge and Entrepreneurial Opportunity

The process of entrepreneurship can be divided into two sub-processes: opportunity discovery and opportunity exploitation (Shane, 2003). An entrepreneur is an individual who is able to identify, evaluate and exploit opportunities.

Prior knowledge refers to the sources of information developed from work experience, education or other means (Shepherd & DeTienne, 2005). Individuals with prior knowledge are more likely to focus on the important aspects of existing information and process it more efficiently, hence able to identify a greater number of opportunities. Individuals with greater shares of prior knowledge about customer problems are able to identify more opportunities with higher degrees of innovation. Therefore, Prior knowledge acts as a guide that helps an individual to spot the opportunities. Ardichvili et al. (2003) introduce prior knowledge as one of the effective factors in the process of opportunity recognition. Prior knowledge increases the likelihood of opportunity identification in the market system and improves service and product development (Tang & Murphy, 2012).

According to Park, Sung & Im (2017), as cognitive factors, prior knowledge and social networks are known determinants of the level of alertness. Individuals with a higher level of alertness tend to recognize entrepreneurial opportunities by connecting distinct ideas and knowledge. Prior knowledge and experience would also relate to the opportunity recognition process as a cognitive factor. Individuals with greater experience and knowledge will show a greater ability to sense and recognize opportunities since they have experienced a similar situation and accumulated knowledge on different opportunities. Previous research has also revealed that prior knowledge and experience play an important role in opportunity recognition. Overall, an individual with knowledge through education and experience will be more likely able to discover entrepreneurial opportunities than other people. Hypothesis 1 (H1): Prior knowledge has a positive influence on the discovery and creation of entrepreneurial opportunity.

1.4 Prior Knowledge and Entrepreneurial Opportunity

Prior knowledge fosters people's alertness to entrepreneurial opportunities. Siegel & Renko (2012) conclude that the individual's knowledge influence their interpretation of events and opportunities. Individual knowledge has an influence on business idea alertness to entrepreneurial opportunities. Different knowledge and cognition factors can influence individuals' alertness, and that could explain why a person might recognize opportunities that others cannot (Par Sung & Im 2017).

1.5 Entrepreneurial Alertness and Entrepreneurial Opportunity

Entrepreneurial alertness is defined as "the ability to notice without searching opportunities that have been overlooked" and "the sense to notice that which has not been suspected of existing at all" (Kirzner, 1999). Entrepreneurial alertness involves scanning, searching for new information, market, and technological changes that are transformed into a business idea.

Entrepreneurial alertness and learning which are two of the most important cognitive characteristics of entrepreneurs will help them in obtaining, organizing, and processing new information (Dimov, 2007). Ardichvili & Cardozo (2000) state that most entrepreneurs have a high level of alertness during the process of opportunity recognition. Therefore, entrepreneurial alertness is one of the key factors in recognizing opportunities.

As a behavioral factor, alertness plays an important role in recognizing entrepreneurial opportunities. Kirzner (1997) argues that alertness involves "creative and imaginative action" that influence the opportunity discovery in the future market. The behavioral action of evaluation and judgment of alertness reflect the effort needed to seek an opportunity that produces profit or beneficial chances.

Cobert (2007) scrutinizes that people have to build the capability of transferring and judging the information and knowledge that they acquire. Combination of one's prior knowledge and experience are the basis of opportunity discovery (Fiet, 2007). Hence, a person's entrepreneurial alertness can influence their ability to create entrepreneurial opportunities. Hypothesis 3 (H3): Business idea alertness has a positive influence on the discovery and creation of entrepreneurial opportunity.

2 RESEARCH METHODS

This study examined the factors influencing entrepreneurial opportunities namely prior knowledge and alertness. The type of this study is causal using a quantitative method. The sampling technique is non-probability, purposive sampling. Data was collected from 100 samples.

Questionnaires were distributed to 100 Indonesian entrepreneurs who established their own company. Respondents consist owners of Micro, Small, Medium sized Enterprises (MSMEs) in Indonesia. Respondents were asked to fill out a questionnaire and all items in a questionnaire were measured with a 7- point Likert scale. The study used Partial Least Square (PLS) and processed using Smart PLS 3.0 to assess whether there is a positive relationship between prior knowledge and alertness on entrepreneurial opportunity.

3 RESULTS AND DISCUSSIONS

The demographic characteristics of the participants in the sample are shown in Table 1. It appears that the majority of respondents are manufacturing entrepreneurs and most are 31-40 years old.

Table 1. Descriptive Statistic

Gender	%	Age	%
Male	50	< 25	15
Female	50	25 - 30	28
Total	100	31 - 40	39
Business Type	%	41 - 50	8
Manufacture	59	> 51	10
Services	24		
Distributor/ Retailer	17		
Total	100	Total	100

Table 2. Reliability and Validity of Constructs

Construct	Composite Reliability	Cronbach's Alpha
Prior Knowledge (PK)	0.855	0.789
Business Idea Alertness (BIA)	0.862	0.802
Entrepreneurial Opportunity (EO)	0.808	0.754

As seen in table 2, the items are reliable. The Cronbach's Alpha was the assessment of the reliability which is greater than 0.70.

Table 3. Reliability of Constructs and Convergent Validity

Constructs	R ²
Business Idea Alertness (BIA)	0.141
Entrepreneurial Opportunity (EO)	0.455

Table 4. Hypotheses Testing Results

Hypothesis	P-value	Description
H1: Prior Knowledge → Entrepreneurial Opportunity	0.000	supported
H2: Prior Knowledge → Business Idea Alertness	0.000	supported
H3: Business Idea Alertness → Entrepreneurial Opportunity	0.044	supported

Table 4 shows that the hypotheses are proved to be significant or supported. It is confirmed as follows:

H1: The positive relationship between prior knowledge and discovery and creation of entrepreneurial opportunity is confirmed by value 0.186, $p < 0.05$.

H2: The positive relationship between prior knowledge and business idea alertness is confirmed by value 0.376, $p < 0.05$.

H3: The positive relationship between business idea alertness and discovery and creation of entrepreneurial opportunity is confirmed by value 0.582, $p < 0.05$.

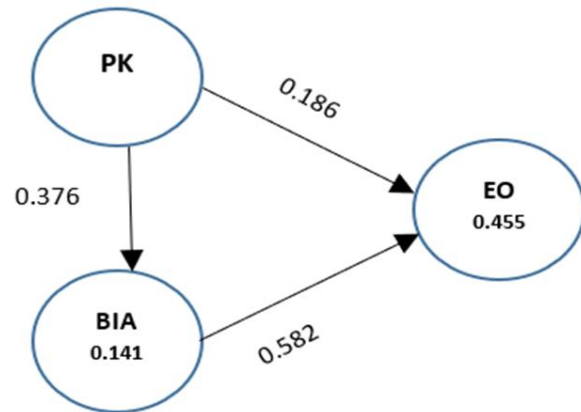


Figure 1. The result of a Path Analysis.

4 CONCLUSION

Based on the results of the study, it can be concluded that all hypotheses are supported. Prior knowledge has a positive influence on the discovery and creation of entrepreneurial opportunity, prior knowledge has a positive influence on business idea alertness, and business idea alertness has a positive

influence on the discovery and creation of entrepreneurial opportunity.

The higher the prior knowledge possessed by an entrepreneur, the higher the business idea alertness, the discovery and the creation of entrepreneurial opportunity. The higher the business idea alertness owned by the entrepreneur, The higher the discovery and the creation of entrepreneurial opportunity in business.

Therefore, if an entrepreneur wants a high business idea alertness, then he should prepare himself by strengthening or deepening good business through various media or doing an internship in another successful business place. The entrepreneur will be able to improve business idea alertness through great experiences.

Prior knowledge and business idea alertness are proven to have a positive effect on discovery and entrepreneurial creation, this shows that the entrepreneurial opportunity through discovery and creation will be greater if the entrepreneur has experience or knowledge from the related business. Good prior knowledge and high business idea alertness can play an important role in identifying opportunities, and will make it able to recognize the discovery and creativity of entrepreneurial, which can be an important factor for entrepreneurs to create business opportunities. and able to play an important role in the business evaluation and entrepreneurial assessment.

Moreover, some recommendations will be given to enlarge entrepreneurial opportunities. Creativity and innovation are important capital in running a business. That is the reason why every entrepreneur must equip himself with various knowledge and other discourses as a source of inspiration. Creative ideas can be a source of inspiration in creating a particular product innovation so that it will provide a greater chance of success in business. Entrepreneurs can use social media or other online media to increase knowledge related to current market conditions. In addition, entrepreneurs can find various inspirational business ideas to improve competitiveness.

There is a suggestion for further research. It would interesting to include a variable in order to accelerate business knowledge and idea alertness to expand further of entrepreneurial opportunities in future research.

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