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ScienceDirect
Journal of Business Venturing 22 (2007) 97–118
JOURNAL of BUSINESS VENTURING

Learning asymmetries and the discovery of entrepreneurial opportunities

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Received 1 June 2003; received in revised form 1 September 2005; accepted 1 October 2005

Abstract

Discovering entrepreneurial opportunities requires that individuals not only possess some form of prior knowledge, but that they also have the cognitive abilities that allow them to value and exploit that knowledge. This article builds upon and extends this line of inquiry by examining the relationship between opportunity identification and learning. Based upon an experimental task and other data collected from 380 technology professionals, the article defines a relationship between how individuals acquire and transform information and experience (i.e., learning) in order to identify opportunities. After analyzing the empirical data, the article develops the concept of learning asymmetries and explains how the manner in which people learn may affect their ability to identify entrepreneurial opportunities.

Keywords: Learning; Opportunities; Cognition; Knowledge; Human capital

1. Executive summary

Discovering opportunities to develop a product "not-yet-in-existence" and subsequently creating a venture is a multifaceted endeavor. Current theoretical and empirical work in entrepreneurship suggests that the study of cognitive mechanisms and their interactions

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doi:10.1016/j.jbusvent.2005.10.001

with an individual's existing knowledge base are important pieces in the puzzle of opportunity identification. This study builds upon this base by exploring the relationship between opportunity identification and the learning process.

Augmenting the extant research on knowledge with an investigation of how learning affects opportunity identification is important because, depending on how individuals use their knowledge, it can be either a bridge on the road to entrepreneurship or a detour that takes them on a fruitless path (Ward, 2004). As such, and with an understanding that individuals can acquire and transform information and knowledge in distinctly different manners (Allinson and Hayes, 1996; Kolb, 1984), this article investigates the effect these differences in learning have on the discovery of opportunities. Building on theory borrowed from psychology, the study shows that an individual's ability to identify opportunity is dependent not just upon knowledge (Shane, 2000), but also upon the *process* through which individuals acquire and transform their information and knowledge (i.e., learning).

The results of the paper provide support for previous theoretical arguments regarding learning and opportunity (Corbett, 2005) and extend existing empirical work on prior knowledge. Perhaps most importantly, just as Shane's (2000) work illustrated the role that knowledge asymmetries play in the opportunity recognition process, this article demonstrates that learning asymmetries also affect the discovery of opportunities.

Beyond scholarship, this article has implications for practitioners in the field. The findings of this study suggest that the manner in which learning affects opportunity identification has implications for how we should view the entrepreneurial process, how entrepreneurial teams are built, and how human resource managers make decisions with regard to internal ventures. The implications of these findings for entrepreneurs, corporate intrapreneurs, investors, and other stakeholders associated with the process of bringing new products and services into being are discussed.

2. Introduction

The identification of opportunities that initiate entrepreneurial ventures is the key to the engine that starts new businesses; opportunity recognition is the progenitor of both personal and societal wealth (Venkataraman, 1997). While the effects of opportunity identification can have a broad impact on society, it is an issue that requires study from an individual level due to its inherent reliance on individual cognition (Mitchell et al., 2002; Shane and Venkataraman, 2000; Shaver and Scott, 1991).

Since the move away from focusing on the traits of the entrepreneur and towards the entrepreneur's behavior (Gartner, 1988), researchers have made great progress in identifying the cognitive factors and behaviors most relevant to entrepreneurship. Knowledge (Ardichvili et al., 2003), expert scripts (Mitchell et al., 2000), alertness (Gaglio and Katz, 2001), intentions (Shepherd and Krueger, 2002), cognitive mechanisms (Baron, 1998), and cognitive infrastructure (Krueger, 2000) are just a handful of the important triggers that have been identified within the process of entrepreneurship.

The exemplary contributions these scholars have made by linking cognition and entrepreneurship belie the fact that little empirical work has appeared in peer-reviewed