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The Impact of Institutional Contexts on Entrepreneurial Opportunity Recognition

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My Ph.D. thesis explores the impact of institutions on entrepreneurship. Do certain institutions favor entrepreneurship? If so, at what stage? I explore the effect of institutions at different phases of an entrepreneurial venture – from opportunity recognition to team formation, from formal incorporation to successful exit. In this summer project, I study the institutional impact on opportunity recognition, which lies at the heart of entrepreneurship. A successful entrepreneur must identify, evaluate and select the right opportunities to create new businesses. Thus, pinpointing the factors that shape the ability of individuals and organizations to identify new entrepreneurial opportunities is of prime importance. Though a number of studies represent significant steps toward understanding opportunity recognition, several conceptual issues and empirical challenges continue to impede research in this area. For example, the majority of the studies focus on opportunities that were recognized in some distant past and are thus limited by retrospective and success biases. As a result, it remains difficult to determine exactly how opportunity recognition is fostered by different factors.

To overcome these weaknesses, I conducted a randomized field experiment to explore how different bureaucratic institutions influence the ability of individual entrepreneurs in recognizing and selecting the best opportunities. This is a pragmatically important issue, as organizations and society rely on some degree of bureaucracy i.e. sticking to a beaten track, while also desiring new opportunity to be pursued — which by definition, entails stepping off the beaten track. Little is known whether bureaucratic context impacts the quality or the quantity of the opportunities identified. Does it instead impact an entrepreneur's ability to discern the best entrepreneurial opportunities among the many opportunities identified? My summer research aimed to address these aforementioned issues. Uncovering these issues are

crucial because without understanding how different bureaucratic contexts impact the very root of entrepreneurship – opportunity recognition, policies to stimulate entrepreneurship will remain incomplete.

For the experiment, I set out to Bangladesh in July 2017. I conducted the experiment in an entrepreneurship boot camp where entrepreneurs and prospective entrepreneurs were randomly assigned to bureaucratic and non-bureaucratic conditions, and then tested on an opportunity recognition challenge. I chose Bangladesh as my field site because I have a lot of influential contacts in Bangladesh. Before leaving, I already reached out to relevant contacts and did the necessary set-up for the experiment.

It was a heavy monsoon when I arrived in Bangladesh and it had been raining torrentially for days. Half the country was flooded. The traffic condition of the capital, Dhaka, where the boot camp was set up, was dreadful. At one point, I thought that it would be impossible to do the research. However, finally the rain subsided, and I could do the project in time and almost exactly the way I wanted.

The selected candidates for the boot camp were randomly assigned to separate batches where different level of bureaucratic conditions were simulated. Randomization enabled me to control for the differences in individual ability in opportunity recognition. Each batch attended a day-long boot camp, in which they were exposed to only one particular condition – either bureaucratic or non-bureaucratic. At the end of the day, the participants were sufficiently conditioned to the bureaucratic or non-bureaucratic norms. Then, I presented them with a short case study which had several hidden problems of various nature. Those problems could be turned into potential business opportunities. Once the participants read the case, they were asked to come up with as many possible opportunities as they find from the case and rate their own ideas.

Overall, the research trip was a success and I am currently analyzing the data. I believe this research will have important implications for economic development and public policy. I am grateful for the generosity and support of the Center for South Asia for making this research possible. I look forward to sharing my findings with the Center soon.