



# **THE OPPORTUNITY RECOGNITION PROCESS, NEW BUSINESS START-UP MOTIVATORS AND OUTCOMES: THE REAL OPTIONS APPROACH**

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This study utilizes the Panel Study of Entrepreneurial Dynamics (PSED) to examine the decision making process of nascent entrepreneurs (NEs). Drawing on the real options theory, I examine the reactive and proactive NEs' motivators behind two choices: 1) Occupational choice (i.e., whether to actively pursue a business opportunity or to work for others) and 2) What path to take once an opportunity is pursued (i.e., terminate the start-up, have a dormant start-up, continue with the active start-up, or launch an operating business).

By means of the multinomial regression analyses and chi-square tests, the study found that, on average, proactive NEs are more likely than the reactive NEs to start an NBV because of their somewhat inferior present options. Although there appear to be no striking differences between the reactive and the proactive NEs in regards of their NBV outcomes, number of business ideas, industry experience as the source of the business idea, previous start-up experience, and change of the idea were found to be correlated with the NBV outcomes. Higher chances of launching an operating business or having a shorter NBV start-up gestation times appear to be positively correlated with the business idea resulting from the NE's industry experience, having fewer business ideas, experiencing no change of the original idea, and having previous start-up experience.

Further, since proactive NEs were found to be more entrepreneurially intense, it is plausible that they may be prone to the escalation of commitment and refuse to terminate their NBV start-up even when that would be the optimal decision. More nuanced data collections are needed to research this question thoroughly. Meanwhile, one can conclude that policy makers, loan officers, and venture capitalist would be wise to scrutinize the NEs' motivators and the above outlined opportunity recognition (OpR) variables before providing the NEs with initial or continued financial assistance.

Lastly, one can conclude that reactive and proactive OpR is not likely to be a psychological trait since the attractiveness of other options appears to influence the OpR type.

## SUMMARY

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