

## **THE EXPLORING INDIVIDUAL RESOURCES FACTORS TOWARD ENTREPRENEURIAL OPPORTUNITY EXPLOITATION IN RURAL ENTREPRENEURSHIP**

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### **ABSTRACT**

Rural entrepreneurship is recognized as an important component contributing to the local economic development of a country. In fact, it has been accepted as a force of economic growth and rural development, particularly in developing countries. Governments, institutions and individuals seem to agree on the urgent need to cultivate rural entrepreneurs in order to promote rural entrepreneurship as a creator of jobs and instruments to improve the well-being of rural areas. Limited research being done in entrepreneurial process particularly in exploitation entrepreneurial opportunity phase becomes the ultimate motivation how the rural entrepreneurs act and contribute in rural entrepreneurship field. The objective of this paper is to explore the interaction between individual level resources factors when rural entrepreneurs being engaged with entrepreneurial opportunity exploitation. The individuals resource factors will be discussed as explanatory variables when rural entrepreneurs engaged in exploit entrepreneurial opportunity. Besides that entrepreneurial opportunity or discovery or recognition will be moderated in the entrepreneurial opportunity exploitation phase.

*Keywords: Rural Entrepreneurship, Entrepreneurial Opportunity Exploitation, Individual Resources Factors*

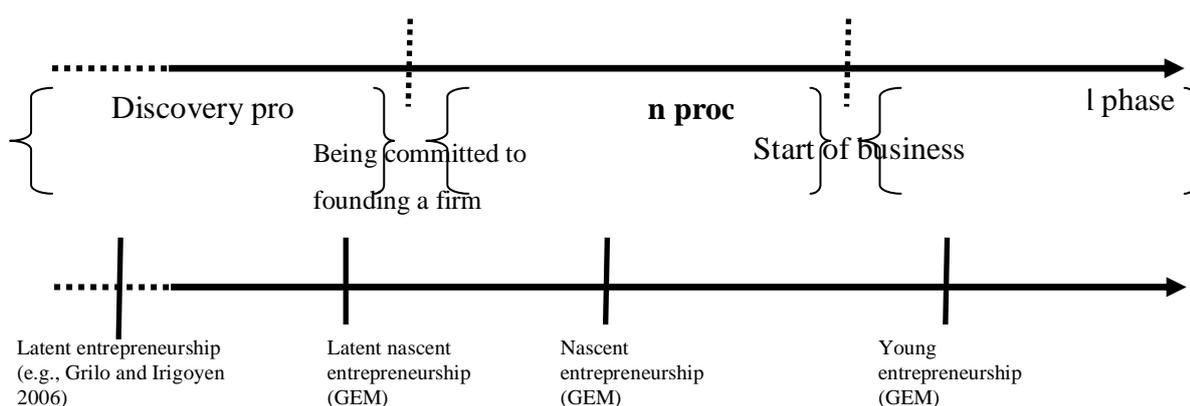
## INTRODUCTION

Entrepreneurship is recognized as a primary engine of economic growth. Without it, other factors of development will be wasted or frittered away. (Ahmad, Wan Yusoff, Md Noor, & Ramin, 2012) Entrepreneurship stimulates economic growth through the knowledge spill over and the increased competition of the entrepreneurs (Carree & Thurik, 2003). In regard to rural entrepreneurship, it has been accepted as the central force of economic growth and development of a country particularly for developing countries such as China, India, Malaysia and Thailand (Ahmad et al., 2012). The government, institutions and individuals seem to agree on the urgent need to promote rural enterprises as an enormous employment potential and instrument for improving well-being of rural communities. It is important to stress that rural entrepreneurship in its substance does not differ from entrepreneurship in urban areas (Ahmad et al., 2012).

Research has identified a positive relationship between levels of entrepreneurial activity and economic growth across countries (Sternberg and Wennekers, 2005) and increasingly, entrepreneurship (especially opportunity based) is proposed as an alternative strategy for rural Europe (North and Smallbone, 2006; Stathopoulou et al., 2004). However, although previous research acknowledges that entrepreneurship is also a regional and a peripheral activity (Asheim et al., 2009), empirical evidence concerning the personal and contextual factors affecting business start ups due to the identification of opportunities in rural contexts is limited (Meccheri & Pelloni, 2006; Zampetakis & Kanelakis, 2010)

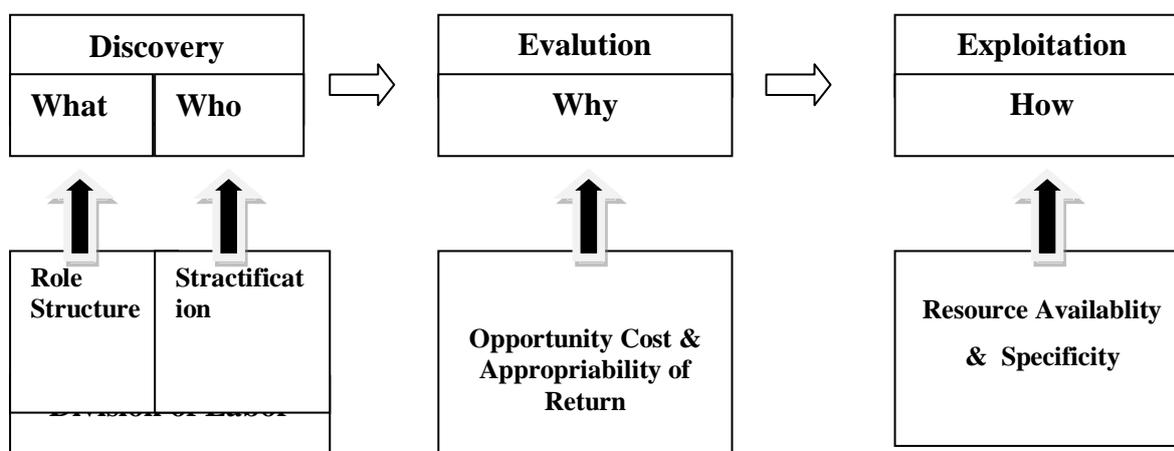
## EXPLOITATION ENTREPRENEURIAL PROCESS

Gordon, (2011) suggested that business venture creation is a multi-scale phenomenon that is at once directional in time, and simultaneously driven by symbiotically coupled discovery and entrepreneurial opportunity exploitation. Exploitation process to entrepreneurial opportunity described as an activity that entrepreneurs being committed to founding firm until they will start of business (Brixy, Sternberg, & Stüber, 2012).



**Figure 1** Phases of the entrepreneurial process (GEM, Global Entrepreneurship Monitor) Brixy, Sternberg, & Stüber, 2012

Baker et al., (2005) was highlight two questions that associated with entrepreneurial process when entrepreneurs faced discovery, evaluation and exploitation entrepreneurial opportunities. The first question is, “What happens after the entrepreneurs have the opportunity and decided to continue the valuable opportunity”. Second, “How and where the resources needed and moved to continue the business opportunity”.



**Figure 2** Cross-national context and the entrepreneurial process. (Ted Baker', Eric Gedajlovic' and Michael Lubatki, 2005)

New business creation requires the assembly and mobilization of resources to exploit entrepreneurial opportunities (Brush, Manolova, & Edelman, 2008; Gartner, 1985; Shane & Venkataraman, 2000). Various resources or capital types may be relevant, but the most frequently studied are human, social and financial, capital (e.g., Autio & Acs, 2010; Bhagavatula et al., 2010; Chandler & Hanks, 1998; Cooper et al., 1994; Davidsson & Honig, 2003; Honig, 1998). As entrepreneurs confront various challenges during their efforts to exploit new entrepreneurial opportunities, and deal with the high levels of uncertainty that mark the new business creation process (Dew, Velamuri, & Venkataraman, 2004; Sarasvathy, 2001), their access to personal financial assets, skills, and knowledgeable others may increase their perceived ability to overcome these challenges and enhance the attractiveness of pursuing opportunities to turn them into actual new businesses (Choi, Lévesque, & Shepherd, 2008; Shane & Venkataraman, 2000).

## HUMAN CAPITAL IN THE CONTEXT OF RURAL ENTREPRENEURSHIP

Human capital refers to a set of characteristics that provide individuals with more skills, namely, cognition, experience and knowledge, which make them more productive, provide a higher potential for efficiency and enhance the development of activities (Becker 1964; Mincer 1974). In the business perspective, for example, Bates (1995) and Shane and Venkataraman (2000) have highlighted that individuals with higher levels of human capital have a higher propensity for entrepreneurial activity as a result of greater levels of self-confidence and decreased concerns over risk.

In regards where entrepreneurs and rural entrepreneurship are explored studies have tended to focus on the dynamics and behaviors of individuals, often focusing on farmers as entrepreneurs within a rural setting (e.g., Carter 1996, 1999; Kalantaridis and Bika 2006; McElwee 2006, 2008). Carter (1998), Carter and Rosa (1998), McNally (2001), and Borsch and Forsman (2001) argue that the methods used to analyze business entrepreneurs in other sectors can be applied to rural businesses such as farms. The relationship between the farmer and the farm business is in itself a complex issue, suggesting that the methods used to analyze business entrepreneurs in other sectors may not be easily transferred to an analysis of farms and farmers (Vik & McElwee, 2011)

Babb and Babb (1992) found that psychological traits of rural entrepreneurs founders, “were not greatly different than those of rural nonfounders, urban founders, or managers reported in other studies (p. 361).” Few other studies have been undertaken to differentiate rural entrepreneurship from urban entrepreneurship, or rural entrepreneurs from urban entrepreneurs. Accordingly work investigating the individual and entrepreneurship focused on psychological variables that may distinguish entrepreneurs from non-entrepreneurs. Such work examined personality factors such as: (1) need for achievement (e.g., McClelland, 1961; McClelland & Winter, 1969); (2) locus of control (e.g., Brockhaus, 1980; Liles, 1974); and (3) risk-taking propensity (e.g., Brockhaus, 1980; Liles, 1974).

Although considerable scholarly attention have focused on the role of prior knowledge in the discovery and recognition of opportunities (e.g., Corbett 2007; Shane 2000), little research has focused on the decision to begin exploitation (Fuentes Fuentes, Ruiz Arroyo, Bojica, & Fernández Pérez, 2010). For example Choi and Shepherd (2004) analyze the major dimensions of prior knowledge and they suggests that entrepreneurs are more likely to exploit entrepreneurial opportunities when they have more knowledge of customer demands for new products, more fully developed the necessary technologies or greater managerial capability. A recently research by Ucbasaran et al. (2009) also considers how the success or failure of past business ownership experience (i.e., the nature of experience) influences their entrepreneurial opportunity identification behavior.

## **SOCIAL CAPITAL IN THE CONTEXT OF RURAL ENTREPRENEURSHIP**

Social capital focuses on the fitness of the players and their personal relationships (Lin et al. 1981; Portes 1998). It relates to a composite of social obligations or connections that is convertible into economic capital under certain conditions and involving different entities. Social capital serves as a facilitator of social structure for certain actions of individuals, which benefit both the individuals and the organisations (Bourdieu 1986; Coleman 1990; Putnan 1995). It mainly deals with interactions between people (Felício, Couto, & Caiado, 2012).

According to Kilduff and Tsai (2003), social capital may be defined at the individual level or collective level, the latter of which includes groups, firms, communities and/or nations. This perspective raises the discussion of social capital at the level of individuals (Burt 1992), organisations (Leana, Van Buren 1999), institutions (Putnan 1995) and industries (Walker et al. 1997). This multilevel approach seeks to integrate and explore how the different properties of exchange networks influence individual development.

Research conducted by Jack (2002) revealed that even in an economic structure in rural areas, the social impact be key to catalyze entrepreneurial activity rather than economic environment. In the rural context, entrepreneurship is a social process with the result that the economic environment needs to be sustained (Jack, 2002). In conjunction from social process in entrepreneurship will indicate social capital and social network make significant interation with exploiting entrepreneurial opportunity.

Social capital provides social links that facilitate the discovery and exploitation of new entrepreneurial opportunities in rural context (Meccheri & Pelloni, 2006).

Rural entrepreneurs deal with different sources of value: financial capital, such as cash, and bank deposits, investments, and credit; human capital, including natural skills such as intelligence and other abilities acquired through education or professional experience; and social capital, referring to relationships with colleagues, acquaintances, or contacts which can provide opportunities to access financial and human resources (Burt, 1992; Datta, 2012; Tihula & Huovinen, 2010; Wagener, Gorgievski, & Rijdsdijk, 2010). Roughly speaking, social capital refers to social relations among persons generating productive results (Bhasin, 2012; Hacklin & Wallnofer, Wallnofer, 2012; Smallbone, Welter, Voytovich, & Egorov, 2010; Szreter, 2000).

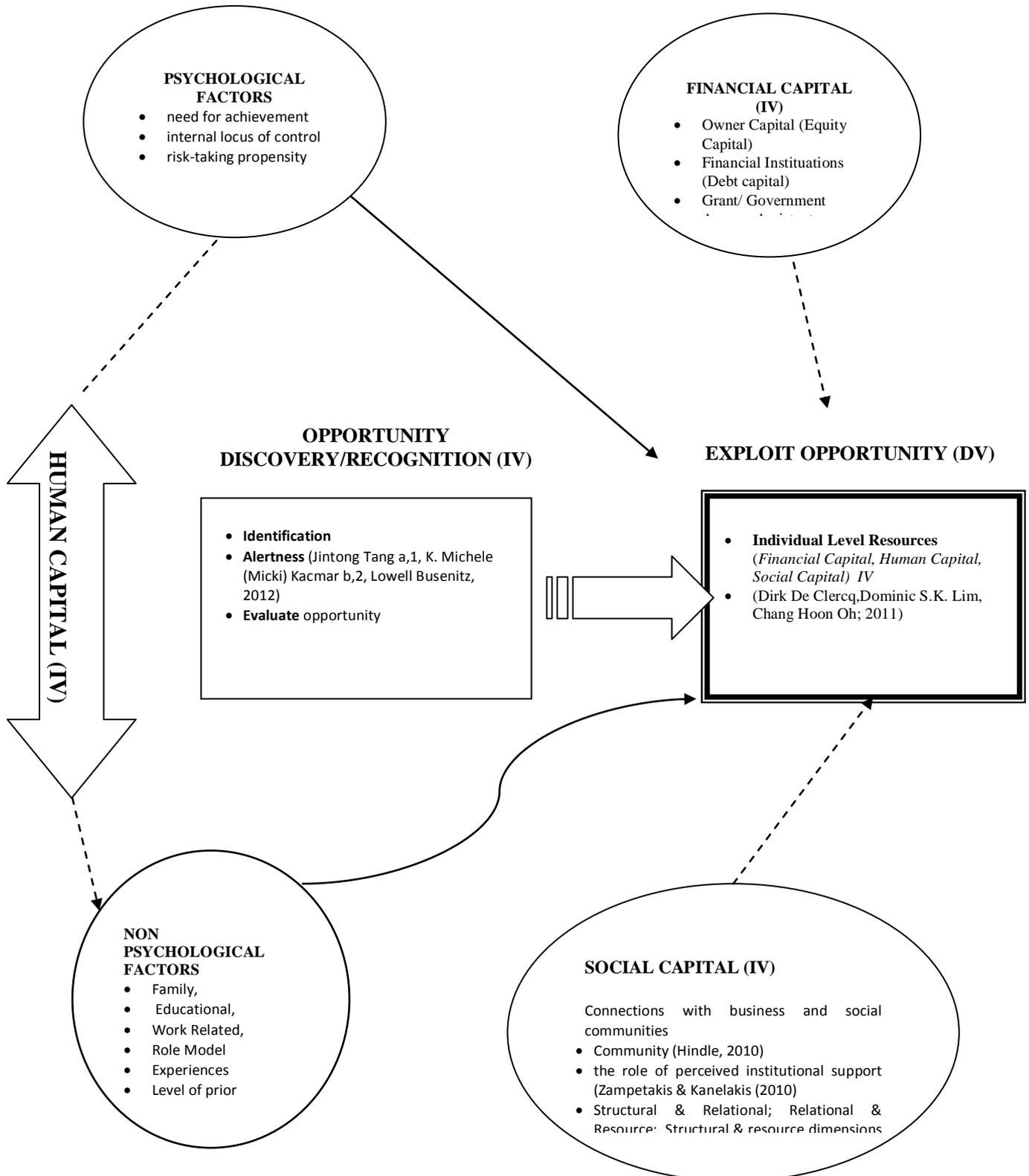
This paper follows a micro level approach: it presents a measurement model of social capital of individual entrepreneurs. The measurement of social capital is composed of three independent dimensions (Fornoni, Arribas, & Vila, 2011). Specifically, a first dimension encompasses the structural features of the network (structural dimension), a second dimension explores the characteristics of these relationships, such as confidence and experience gained over time (relational dimension) and finally a dimension that provides the resources embedded in a network that can be mobilized or materialized through provide resources (resource dimension).

## **FINANCIAL CAPITAL IN THE CONTEXT OF RURAL ENTREPRENEURSHIP**

Rural economic sector in Malaysia was once based on agriculture and the transformation was done by the government on economic activity based on diversity and non-agricultural sources that contribute to rural economic development that was established as a catalyst to increase income and employment opportunities (Malaysia, 2010). This initiative has evolved from the agricultural sector centered on the development of economic and non-agricultural entrepreneurs who are identified to support rural development strategy and as an engine of economic growth and income. This can be seen through the Rural Economic Financing Scheme (SPED), which was launched in 2001 with the approval of RM12 million. This number is rising from year to year and rose to RM35 million in 2009. Overall funding of RM234 million was to finance economic activities almost 2,200 Malaysian rural entrepreneurs along that period.

## **CONCLUSION**

The literature reviewed has led us to raise a number of issues related to the nature of human capital, social capital, financial capital and the consequences of this on the development of a measurement model for entrepreneurial opportunity exploitation as described in Figure 3 below.



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