Entrepreneurship - The Productive Ingenuity of the Human Factor in an Ambiguous Environment

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Abstract

Land, Labour and Capital are regarded as factors necessary for production to occur. In this frame, entrepreneurship is seen as that part of labour which combines other production factors to create goods and services that satisfy society's needs whilst making profit, bearing all the associated risks. Naturally, risk implies ambiguity with the reverse also true. Ambiguity is therefore a permanent feature of the entrepreneurship environment. That entrepreneurs are able to recognize and exploit opportunities in an ambiguous environment is a sign of ingenuity. Based on the interpretivist approach, we conducted a qualitative (desk) research by reviewing the literature on entrepreneurship and its associated themes. Drawing from insights and patterns of meanings provided by these prior works, we identify those special attributes of entrepreneurs that make them so ingenious. We are of the view that generally speaking, the ingenuity of entrepreneurs or enterprising individuals (the human factor) lies in cognitive; fear-conquering; and self-reliance characteristics of individuals. This is in line with the assertion that entrepreneurs' personal characteristics are the most important factors for business success. In our view, these three broad characteristics enable entrepreneurs to: create or discover opportunities; identify real opportunities that are less obvious to the general population; identify geographical locations that are endowed with social and economic resources conducive for a particular venture; and chose the organizational arrangement that best serve as a vehicle to exploit the opportunity – the hallmarks of ingenuity.

Keywords: traditional view of economics; factors of production; entrepreneurship; ambiguity; opportunity recognition

1. Introduction

Based on the interpretivist approach, we conducted a qualitative (desk) research by reviewing the literature on entrepreneurship and its associated themes and then drawing conclusions based on the pattern of meanings derived subjectively from prior works (Creswell, 2014) in order to identify those special attributes of entrepreneurs that make them so ingenious. Our analysis situates entrepreneurship in the traditional view of economics regarding the role of the factors of production in economic development. The purpose is to highlight the particular role that entrepreneurship plays in combining the factors of production to create value for society.

Briefly, the traditional view of economics postulates that there are three factors of production namely land, capital, and labour. In this frame, entrepreneurship is thought to be the special part of labour that takes the risk and responsibility to cause the interaction between the various factors of production through technology to produce goods and services to satisfy society's needs (Salerno, 2008). Thus, while the other production factors may be viewed as latent because of their passive existence in the economy, entrepreneurship can be seen as the active production factor because of its proactive role in initiating production.

In this study, we argue that, it takes more than just the combination of factors of production for an entrepreneur to succeed. We are of the view that in addition to the role of combining factors of production, entrepreneurship (recognizing an entrepreneurial opportunity and taking the decision to commit time and resources to exploit it when the outcome may appear uncertain) requires certain personality and psychological traits that may not be common to everybody. In this regard, we suggest personality characteristics (tools of ingenuity) that may be common to entrepreneurs. We also examine the external environment the entrepreneur operates in, which so often is ambiguous for entrepreneurial activity.

Given the foregoing, the discussion starts with examination of the factors of production.

2. Factors of Production

Factors of production are economic inputs necessary for production to take place in an economy. Traditionally, economics identifies three factors of production, namely: labour, land and capital (Tucker, 2013). Because of their critical role in production, these factors are invariably seen as the sources of economic growth and long-term economic development (CFAI, 2012). Labour was traditionally thought to be the portion of the population that was of age and available for work while land was a broad term referring to the natural resource endowments of the country (CFAI, 2012). Capital was viewed as consisting of durable assets which were themselves results of past production engaged in current production (Tucker, 2013). Because technology is the process through which a production unit transforms inputs into output it is considered that for an economy to prosper without hindrance, technological advances are very important (CFAI, 2012). Technology is therefore important in the entrepreneurial process as far as the traditional view on the factors of production is concerned.

While the traditional view of factors of production still holds to a very large extent, the enormous contribution made by the human factor (labour) in modern times (Campbell et al., 2012) has seen some modifications being made to the three traditional classifications of factors of production. Capital is now classified to include human capital and physical capital. Human capital is the accumulated knowledge and skill that workers acquired from education, training, and life experience (Olaniyan and Okemakinde, 2008). It measures the quality of the workforce. Physical capital retains the traditional definition of capital and is still viewed as the accumulated amount of buildings, machinery, and equipment which are themselves outputs of past production used to produce goods and services. Land still remains the broad term used to refer to the natural resources of a country. Therefore, the modern view is that factors of production generally comprise: labour supply, human capital, physical capital, technology, and natural resources (CFAI, 2012).

The evolution of the classification of the factors of production shows that it takes more than just the mere accumulation of factors of production to achieve production, economic growth and development. Also equally important is the quality of the labour force. The reason is that the quality of labour is very instrumental in innovation that transforms inputs into output for growth and development. According to Eliasson and Henrekson (2004), it takes human creativity to combine inputs in ways that bring about economic growth and development. "Thus the entrepreneur and entrepreneurship should take center stage in any effort to explain long-term economic development" (Eliasson and Henrekson, 2004). This and other similar arguments place entrepreneurship at the forefront in any discourse on socio economic development.

3. Entrepreneurship

3.1 Historical perspective

According to Chell (2007), the words 'entrepreneurship' and 'enterprise' take their roots from the French words 'entreprendre' and 'emprendre' whose past participles are *entrepris(e)* and *empris(e)* respectively. These two words together connote undertaking a bold initiative or project often at personal financial risk. However, Hisrich, Langan-Fox and Grant (2007) trace the concept back to ancient Greece where social and economic reforms could be directly traced to entrepreneurial activity. It then appears that entrepreneurship has a strong association with ancient Greece but derives its name from the French language. This brief background also shows that the potential for entrepreneurship to contribute to economic growth and development (Okezie et al., 2014; Ghani et al., 2013) is not a recent phenomenon.

3.2 Defining entrepreneurship

Numerous definitions of entrepreneurship exist in the literature that one can cite. However, for our purpose, we examine only two definitions. Firstly, according to Shane and Venkataraman (2000), entrepreneurship is concerned with how individuals go about identifying or discovering, evaluating and exploiting opportunities and sources of opportunities to create future goods and services. The appeal of this definition lies in the fact that it covers both entrepreneurship (process) and entrepreneurs (individuals) such that it is easy to extract definitions for both concepts from it. As a result of its popularity this definition has been re-echoed by a number of researchers (Alvarez and Barney, 2013; Baum et al., 2012) with varying degrees of modification (Baucus and Cochran, 2009; Baron, 2008; Leon and Gorgievski, 2007; Coglisier and Brigham, 2004; Baron and Ward, 2004; Thornton and Flynn, 2003; Shane et al., 2003).

Another useful definition comes from Jacobides and Winter (2005) who regard entrepreneurship as "intentional effort to seize a profit opportunity – or, more accurately, to seize an opportunity to create private wealth for the

entrepreneur". These authors emphasize that for an activity to be described as entrepreneurial it must be "extraordinary, idiosyncratic, unusual and/or peculiar". Baucus and Cochran (2009) also concur that entrepreneurial activity must be extraordinary. In other words, the entrepreneur sees an opportunity that is less obvious to most people. This leads to the issue of entrepreneurial opportunity recognition.

3.3 Entrepreneurial opportunity recognition

Entrepreneurial opportunities play significant role in the nature and prevalence of entrepreneurship. Dutta and Crossan (2005) define entrepreneurial opportunities as "a set of environmental conditions that lead to the introduction of one or more new products or services in the marketplace by an entrepreneur or by an entrepreneurial team through either an existing venture or a newly created one." This definition and others reviewed in the course of this study reveal that to a large extent, entrepreneurial opportunities are the source of products and services – the results of enterprising individuals (Carree and Thurik, 2010) required to satisfy society's needs. It further reveals what it takes enterprising individuals to exploit entrepreneurial opportunities (using business units). Interestingly, the debate on how entrepreneurial opportunities arise in the first place has led to two opposing ontological positions (Mitchell et al., 2012; Baron, 2007). Briefly, the first ontological position called the Kirznerian view, is positivist/realist in nature. It postulates that opportunities exist independently in the environment waiting to be discovered by specific persons (Okezie et al., 2014; Caliendo and Kritikos 2011; Baron, 2007). On the other hand the Schumpeterian view which is interpretive or social constructionist in nature holds that the emergence of opportunities is a creation or an enactment that is based on the entrepreneur's perception, interpretation, and understanding of environmental forces given his cognitive resources and knowledge (Okezie et al., 2014; Caliendo and Kritikos 2011; Baron, 2007). Regardless of this dichotomy, it is quite clear that both Kirznerian and Schumpeterian schools agree that entrepreneurs have to contend with environmental conditions that are ambiguous.

4. Ambiguity in the Entrepreneurship Environment

In our view, ambiguity in the entrepreneurship environment can be conveniently conceptualized as follows. Firstly, entrepreneurial opportunities can either be discovered or created; and the entrepreneur has to rely on personal ingenuity to discover or create the opportunity (Shane and Venkataraman, 2000; Dutta and Crossan, 2005; Carree and Thurik, 2010). It therefore follows that the method or approach used is situational (depending on whether one discovers or creates the opportunity). It is therefore reasonable to suggest that the successful entrepreneur is one who easily adapts to each pathway (identifying or discovering) to entrepreneurial opportunity. Secondly, the fact that real opportunities are less obvious to the larger population (Okezie et al., 2014; Caliendo and Kritikos 2011; Baron, 2007) means ambiguity. The problem of this type of ambiguity is that the entrepreneur has to mobilize support and resources from people who may not recognize the business case in an idea hence the risk of an opportunity not being exploited because of lack of support from the public. To overcome this challenge, the entrepreneur has to be armed with skills to convince people who may not recognize the business case in an idea to support and provide resources for the project. A third ambiguity in the entrepreneurship environment relates to venture location or geographical environment for entrepreneurship (Malecki, 2009). Because some locations may be more endowed with certain economic and social resources than others thus making them more conducive to new businesses than others (Malecki, 2009), an entrepreneur has to know the extent to which a particular geographical area is conducive to a new venture in order to determine if the opportunity is worth exploiting. In the final analysis, although there are many possible organizational arrangements for exploiting an opportunity, the entrepreneur must figure out the one that will best exploit the opportunity. Coupled with this, the entrepreneur must also decide on whether to set up a new organization or if an existing organization can be adapted to exploit the opportunity. The entrepreneur's skill in determining the most appropriate organizational arrangement at a time helps remove some of the ambiguity and thereby give the venture a better chance to succeed.

Given the ambiguities in the external environment in which entrepreneurs operate (Geana et al., 2013), one can only conclude that entrepreneurs might be having certain repertoire of skills (ingenious tools) at their disposal which make it possible for them to bring together factors of production in ways that the ordinary person cannot.

5. Tools for Ingenuity

Whilst agreeing with the standard economics classification of the entrepreneur as a special type of labour as far as production is concerned, Eliasson and Henrekson (2004) highlight the insufficiency of attributing economic growth to the mere accumulation of factors of production. Instead, these authors strongly argue that it takes more than just the benign

presence of factors of production for economic activity and growth to take place as human ingenuity is needed to combine the inputs in profitable ways. As a result, they emphasize the need for an institutional environment that encourages productive entrepreneurship in order for economic growth to happen. This assertion seems to position the entrepreneur as the epitome of human ingenuity that is needed to stimulate the other factors of production to yield benefits to society.

Goss (2005) outlined a three-way classification of how the Schumpeterian entrepreneur disturbs the economic status quo through innovations. The first innovation is behavioural which manifests in the introduction of a new product, method of production, market or a way of conquering a new source of raw material or re-organizing an industry in a new way. The second innovation deals with the entrepreneurial motivation to strategize, fight, and conquer and enjoy the spoils of the entrepreneurial 'war'. The third innovation is the ability to overcome the inhibitions associated with entrepreneurial action which generally tends to be a daunting plunge into the unknown. In Goss's words, "to overcome these inhibitions an individual needs unusually strong will and great 'personal weight'". Goss's (2005) three-way classification of entrepreneurial innovation suggests that the ingenuity of the entrepreneur derives from: having the right cognitive abilities to recognize opportunities (first innovation); having the fear-conquering attributes to overcome inhibitions (third innovation); and being self-reliant enough to take action based on own judgments (second innovation). This three-way classification becomes the basis of the tools for ingenuity that are discussed in the sub-sections that follow.

5.1 Cognitive attributes

The first tool for ingenuity to be discussed is cognitive attribute of the entrepreneur. To begin with, there is agreement in the literature on what constitutes cognition. Baron (2008) defines cognition as "the processes through which information is entered into memory, processed, and retrieved for later use". Similarly, Neisser's (1967) and Mitchell and Busenitz (2007) view cognition as "all processes by which sensory input is transformed, reduced, elaborated, stored, recovered, and used". When the cognitive processes allow individuals to operate on and use information in new ways such that new services and products are the result, creativity can be said to have arisen from cognition (Baron, 2007). Entrepreneurial cognitions therefore are those distinctive thinking and behaviours guiding entrepreneurial action (Holcomb et al., 2009). Mitchell and Busenitz (2007) concur by defining entrepreneurial cognitions as "the knowledge structures that people use to make assessments, judgments or decisions involving opportunity evaluation and venture creation and growth."

Ontologically, the Kirznerian view of opportunity recognition and exploitation focuses on the cognitive process by which individuals reach the decision to launch a new venture. In this frame, it is argued that *entrepreneurial alertness* to opportunities depends heavily on one's cognitive abilities and plays a critical role in opportunity recognition (Baron, 2007). According to Baron and Ward (2004), entrepreneurial cognition manifests in opportunity recognition. In the view of Baron and Ward (2004), alertness to opportunity is a common characteristic of successful entrepreneurs. In their words "persons who possess such a schema show a tendency to search for and notice change and market disequilibria, to respond to information that does not match their current schemas, and to adjust existing schemas on the basis of such non matching information". In this regard, Dutta and Crossan (2005) suggest that entrepreneurial alertness is coterminous with the Kirznerian ontological position where information asymmetries in the marketplace make entrepreneurial alertness a potent tool for success for arbitraging entrepreneurs. Therefore, where entrepreneurial opportunity is viewed as a given (exogenous), entrepreneurial alertness becomes an idiosyncratic resource.

Pattern recognition and *arrangement cognitions* are two other cognitive processes that are thought to be closely related to entrepreneurial opportunity recognition. *Pattern recognition* is the individual's ability to notice meaningful patterns in complex events, trends, or changes that at first glance may appear unrelated whereas *arrangement cognitions* are the thoughts and mental processes regarding the resources, relationships and assets needed to engage in entrepreneurial activity (Baron and Ward, 2004; Baron, 2007). *Pattern recognition* depends heavily on the cognitive frameworks individuals have formed over the years based on their past experiences. These experience-derived cognitive frameworks end up serving as useful guides that help these persons see the interconnections between seemingly unrelated events and trends. Simply put, while *pattern recognition* helps entrepreneurs to determine which gaps in the environment constitute an opportunity, *arrangement cognitions* enable them to figure out how they will mobilize resources and support to exploit the opportunity.

Cognition is not only relevant at the opportunity recognition stage but useful at the other stages of entrepreneurial activity (Baron and Ward, 2004). Other cognitive abilities such as *willingness cognitions*, *ability cognitions*, *affect*, and the *use of heuristics* become relevant when the fear-conquering and self-reliance attributes of the entrepreneur are discussed. These last two sets of attributes are required beyond the opportunity recognition stage.

Having discussed cognitive attributes as a tool for entrepreneurial ingenuity (Goss's first innovation), the next section discusses fear-conquering attributes (Goss's third innovation) as another tool for ingenuity.

5.2 Fear-conquering attributes

As indicated earlier, a second tool for ingenuity is the fear-conquering abilities of the entrepreneur. It can be inferred from Goss (2005) that fear-conquering attributes are the personal characteristics that enable the entrepreneur to step into the uncertain domain of entrepreneurship with the conviction that opportunities are both waiting to be created or discovered, and that these opportunities are worth exploiting. These are therefore the personal attributes that enable the entrepreneur to overcome the inhibitions that prevent most in society from engaging in entrepreneurship. Two sub sets of fear conquering attributes of entrepreneurs are cognition and the propensity to step out of the financial security comfort zone.

5.2.1 Cognition

Cognition seems to be the major driver of the fear-conquering attribute. As such, *willingness cognitions*, *affect*, and the *use of heuristics* are specifically useful to the entrepreneur in overcoming inhibitions. *Willingness cognitions* are the thoughts and mental frameworks that necessitate the launching of a new venture while *affect* is the mood changes either induced by an occurrence (event-induced or state affect) or the person's natural temperament (dispositional or trait affect) and its impact on the person's perception of the external environment (Baron and Ward, 2004; Baron, 2008).

There are, at least, three specific ways that *affect* influences cognition (Baron, 2008). First, positive affect seems to stimulate people's general alertness to the external environment such that those experiencing positive affect tend to be more conscious of the external environment than individuals experiencing negative affect. Second, research evidence suggests that individuals experiencing positive affect generally tend to be more creative than those experiencing negative or neutral affect. This suggests that affect influences creativity-related cognition.

The third way in which *affect* influences cognition is the tendency to engage in heuristic processing which is the resort to short-cuts in decision-making. Heuristic processing is the application of previously acquired "rules of thumb" and previously gathered information to decision-making regarding current problems. Holcomb et al. (2009) refer to these 'rules of thumb' as "simplifying strategies, commonly termed heuristics, which are decision rules that reduce complex judgmental tasks to relatively simple cognitive operations". Research findings indicate that persons experiencing positive affect are more likely to engage in heuristic processing and thus be quicker with decision-making than those experiencing negative affect (Baron, 2008).

As heuristics processing does not always lead to the desired results; their continuous use by entrepreneurs particularly when market-related information is scarce shows how determined they are to shake off their inhibitions. This makes heuristic processing a distinguishing factor between entrepreneurs and the general population on one hand, and between high-achieving and low-achieving entrepreneurs on the other (Mitchell and Buschenitz, 2007; Holcomb et al., 2009).

5.2.2 Propensity to step out of the financial security comfort zone

Apart from cognition, how a person perceives financial security also determines the extent to which that person is able venture into the uncertain world of entrepreneurship. For instance, van Gelderen et al. (2008) have identified financial security as explanatory variable for entrepreneurial intention. In other words, an individual's perception of financial security partially determines the decision to opt for entrepreneurship or paid employment. Vecchio (2003) suggests that an individual whose risk tolerance is low will prefer staying in a paid job that guarantees regular income to venturing into an uncertain business that promises higher returns in a volatile business environment. *Risk taking* and *tolerance for ambiguity* may therefore be important elements of the propensity to step out of the financial security comfort zone and engage in entrepreneurship. So, the least risk-averse people are more likely to choose entrepreneurship while the reverse is true of the most risk-averse. This way, entrepreneurs end up providing income security for those who do not have the courage to venture into the uncertain domain of entrepreneurship and are rewarded with the residual profits of their enterprises as a result (Caliendo, Fossen and Kritikos, 2006; Parker 2005; Shane et al., 2003). Budner (1982) defined tolerance for ambiguity as "the propensity to view situations without clear outcomes as attractive rather than threatening". Given that the challenges and potential for success associated with business start-ups are by nature unpredictable (Shane et al., 2003), it is reasonable to suggest that *tolerance for ambiguity* is an important trait for entrepreneurs because, those who become entrepreneurs are the individuals who have the ability to readily evolve a coping strategy to survive in such an ambiguous working environment (Minniti, 2005).

5.3 Self-reliance attributes

Self-reliance attributes are those attributes that give the entrepreneur the internal strength to venture into the uncharted waters of new entrepreneurial opportunities whose prospects remain a figment of the imagination of the entrepreneur until they become a reality. These attributes enable the entrepreneur to see herself as the person responsible for the success or failure of the business idea with the conviction that she has the qualities and skills required to more likely achieve success than failure. Some of these self-reliance attributes are need for achievement, locus of control, and self-efficacy/ability cognitions.

Need for achievement is the high achievement motivation that individuals bring to bear on some aspects of venture performance (Vecchio, 2003). According to Shane et al., (2003), individuals who are more endowed with this attribute are more likely than those who are less endowed in it to occupy themselves with "activities or tasks that have a high degree of individual responsibility for outcomes, require individual skill and effort, have a moderate degree of risk, and include clear feedback on performance". Entrepreneurs are generally thought to have a greater degree of these task attributes than other careers (Shane et al., 2003; Vecchio, 2003). This attribute appears to emanate from *willingness cognitions*, which are the thoughts and mental frameworks that necessitate the launching of a new venture.

Locus of control is the extent to which individuals believe that their actions or personal characteristics affect outcomes. Those individuals who believe that the outcome of an event is out of their control – that is, the outcome of the event is determined by factors beyond their control – are said to have an external locus of control, whereas individuals with an internal locus of control believe that their personal actions directly affect the outcome of an event (Shane et al., 2003). Locus of control appears to be a background attribute for the self-reliance attributes in the sense that it is not easily observable but serves as the anchor for need of achievement and self-efficacy. For instance, Shane et al. (2003) state that individuals who are driven by the need for achievement "prefer situations in which they feel that they have direct control over outcomes or in which they feel that they can directly see how their effort affects outcomes of a given event". Vecchio (2003) echoes the same view in pointing out that although a very compelling concept, locus of control remains a latent variable whose evidential base remains largely theoretical.

Self-efficacy is "the belief in one's ability to muster and implement the necessary personal resources, skills, and competencies to attain a certain level of achievement on a given task" (Shane et al., 2003). It involves the individual's belief that she can effectively organize and execute certain actions while accepting whatever the outcome will be (Markman, Baron and Balkin, 2005). Specifically, entrepreneurial self-efficacy refers to the individual's belief that she is capable of performing the roles and tasks of an entrepreneur (Lindsay et al., 2006) which seems to arise from her *ability cognitions*. *Ability cognitions* are the thoughts and mental frameworks that have to do with the skills, knowledge and capacities needed to create a new venture (Baron and Ward, 2004). Individuals with high self-efficacy are not easily deterred by perceived obstacles as they tend to focus more on the anticipated positive outcomes. Therefore those who believe they have what it takes to be successful entrepreneurs will engage in activities associated with firm start-ups (Linan, 2008). Indeed, Markman, Baron, and Balkin (2005) provide empirical evidence to show that entrepreneurs score significantly higher on self-efficacy than non-entrepreneurs.

In a nutshell, Goss's (2005) three-way classification of innovation requires: (i) the right cognitive abilities to be able to operate on and use information to recognize opportunities in the midst of all the ambiguity such that new services and products are the result; (ii) fear-conquering attributes to be able to overcome the inhibitions that often lull most people into inaction because of the fear of the unknown; and (iii) self-reliance attributes to be able to trust one's own judgment and ability to succeed and thus take action. These, in essence, are the tools that the entrepreneur needs to be ingenious.

6. Manifestation of Ingenuity

The ingenuity of the entrepreneur is seen when a person is able to use own skills to deal with the ambiguity inherent in the external environment. In other words, the psychological make-up of the entrepreneur enables that person to: (i) create or discover opportunities; (ii) identify real opportunities that are less obvious to the general population; (iii) identify geographical locations that are endowed with social and economic resources conducive for a particular venture; and (iv) chose the organizational arrangement that will best serve as a vehicle to exploit the opportunity. In other words, there are four parts in entrepreneurial ingenuity. From the discussion on the tools of ingenuity, it became quite clear that whether or not a person will opt for entrepreneurship will depend largely on the person's fear-conquering attributes. It also became very clear that how quickly and appropriately a person reacts to ambiguities surrounding how opportunities are recognized and how obvious opportunities are to everybody depends largely on cognition attributes. Therefore, the part of entrepreneurial ingenuity left to be explained are where to locate the venture and which organizational arrangement to use to exploit the opportunity.

6.1 Choosing the Right Geographical Location

Entrepreneurs who have the ability to read the signals from the external environment should be able to locate their businesses in the right geographical areas. Much as economic reasons are often assigned to the tendency of firms to co-locate in certain regions rather than in others, it is beginning to emerge that social factors may also feature in an individual's occupational choice function with regards to whether or not to select entrepreneurship as an occupation and where to locate their businesses (Parker, 2005; Minniti, 2005). Drawing from agglomeration theory, Thornton and Flynn (2003) explain that because of the social construction of localized political and cultural assets such as learning effects and mutual trust among others, areas with high density of entrepreneurship will attract more entrepreneurs. This is because entrepreneurs are not only influenced by economies of scale to site their businesses in geographical areas with high firm concentration, but the social cues that are transmitted to them by the high density of entrepreneurship in these areas first of all, tends to signal individuals in those areas to view entrepreneurship as a viable source of income and thereby draw them into it (Caliendo and Kritikos, 2011; Linan, 2008). Audtretsch and Erdem (undated) refer to this as "demonstration externality" which they define as "learning by third-party individuals that entrepreneurship is a viable alternative to the status quo". Secondly, when individuals in areas with high concentration of entrepreneurship decide to become entrepreneurs, they tend to locate their firms in those same areas in order to benefit from (social) network externalities. Thus entrepreneurship is influenced by the amount of (social) network externalities that exist in a particular area which, unlike economies of scale, is non-pecuniary in nature (Bosma et al., 2011; Parker, 2005; Minniti, 2005). This is because where there is a high concentration of entrepreneurs there is also a high density of information that helps deal with the ambiguity embedded in the entrepreneurship environment (Geana et al., 2013; Minniti 2005). Therefore, entrepreneurs are those who read the signals in the external environment to locate their businesses in areas that enhance easy opportunity recognition and exploitation in terms of similarities in the requirements for technology, and availability of inputs and certain types of skilled labour (Ghani et al., 2013; Glaeser et al., 2013, Devereux et al., 2007; Parker, 2005).

6.2 Choosing the Right Organisational Form

In terms of which vehicle to use to exploit and opportunity, Audretsch and Keilbach (undated) affirm the importance of organizational factors. Dobrev and Barnett (2005) have also stressed the need for researchers to look at the specific role that organizational factors play in predicting entrepreneurship. These authors position is that, the characteristics of an organization and the roles of individuals therein interact to predict entrepreneurial success. According to Dobrev and Barnett (2005), the extent to which an individual can pursue a creative idea and bring it to fruition is dependent on whether the organizational environment is fluid, informal and less constraining enough to allow innovative ideas to thrive. Small businesses are generally thought to provide the optimal arrangements (Astebro and Thompson, 2011; Wagner, 2004) even though large firms can also mimic smallness to serve that purpose (Gupta and Srivastava, 2013). This implies that an entrepreneur seeking to exploit a given opportunity must seek to achieve appropriate mix of fluidity versus rigidity and informality versus formality in the organizational arrangement. Different opportunities will go with different organizational arrangements therefore knowing which set to employ in a given situation is a manifestation of ingenuity.

7. Entrepreneurship as an Interface between the Person and the Situation

The determinants of entrepreneurship are many. However, the foregoing has shown that the factors that predict entrepreneurship can broadly be grouped into two categories: environmental factors (the situation) and personal attributes (the person) (Valencia-deLara and Araque-Hontangas, 2012; Caliendo and Kritikos, 2011:7). Therefore, entrepreneurship is the harmonization of the personal characteristics of a profit-seeking individual to the opportunities and challenges of the environment to deliver value to this enterprising individual and the consumer. The fruits of entrepreneurship becomes manifest when the enterprising person interacts with an opportunity-laden situation which is not obvious to most members of society (Chell, 2007). In the words of Coglisier and Brigham (2004:774), "Entrepreneurship focuses not only on the entrepreneur, but on the intersection of that enterprising person and lucrative or entrepreneurial opportunities". Entrepreneurship therefore, is an interaction between the person and the situation (Chell, 2007). In the person-situation framework, entrepreneurship is merely the individual's exhibition of leadership in a special context that involves the discovery, evaluation, and exploitation of an opportunity to create future goods and services (Coglisier and Brigham, 2004). This may be the outward manifestation of the cognitive abilities of the entrepreneur (discussed above) in his immediate environment.

8. Conclusion and Implications

The review of the literature shows that when an enterprising individual decides to make the recognition and exploitation of entrepreneurial opportunities in an ambiguous environment an occupation, that person is merely displaying the productive ingenuity of the human factor to come up with innovative ways of transforming inputs to deliver much needed goods and services (Baum et al., 2012) which ultimately contribute to economic development. The environmental factors that confront such a person are threatening but loaded with opportunities that are not easily perceived by most members of society because they may not have the personal and psychological characteristics necessary to determine what constitutes an opportunity; and even if they do, the need to mobilize resources to exploit the opportunity and the uncertainty surrounding the outcome of exploiting the opportunity may be too daunting for them to take action. Thus, most members of society tend to opt for the comfort zone of paid employment (Parker, 2005; Dobrev and Barnett, 2005). In this light, an appropriate definition of entrepreneurship may be:

"The tendency of profit-seeking individuals to harmonize personal characteristics with the opportunities and challenges of the environment; to acquire and control inputs and to find innovative ways of transforming inputs into goods and services that fulfill the needs of the society".

The ingenuity of the human factor therefore lies in the way the personal attributes of the enterprising individual interact with the ambiguous environment in a way that leads to the profitable combination of the factors of production that deliver value to society. This seems to confirm the assertion that entrepreneurs' personal characteristics are the most important factors for business success (Baum et al., 2012).

By choosing to ply a trade in a field full of so much uncertainty, the entrepreneur has already demonstrated readiness to tackle ambiguities in the environment. The tools of ingenuity at such a person's disposal makes it possible to: evolve strategies to deal with ambiguities (Elfenbein et al., 2010; Sorensen and Philips, 2008); identify entrepreneurial opportunities (Elfenbein et al., 2010; Sorensen and Philips 2008); and exploit such opportunities through business entities. In our view, it is a mark of ingenuity for entrepreneurs to ensure organizational arrangements that are adaptable to the successful exploitation of opportunities in an ambiguous environment!

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