



# Entrepreneurial opportunities and the entrepreneurship nexus: A re-conceptualization



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## ABSTRACT

The literature on “entrepreneurial opportunities” has grown rapidly since the publication of Shane and Venkataraman (2000). By directing attention to the earliest stages of development of new economic activities and organizations, this marks sound redirection of entrepreneurship research. However, our review shows that theoretical and empirical progress has been limited on important aspects of the role of “opportunities” and their interaction with actors, i.e., the “nexus”. We argue that this is rooted in inherent and inescapable problems with the “opportunity” construct itself, when applied in the context of a prospective, micro-level (i.e., individual[s], venture, or individual–venture dyad) view of entrepreneurial processes. We therefore suggest a fundamental re-conceptualization using the constructs *External Enablers*, *New Venture Ideas*, and *Opportunity Confidence* to capture the many important ideas commonly discussed under the “opportunity” label. This re-conceptualization makes important distinctions where prior conceptions have been blurred: between explananda and explanantia; between actor and the entity acted upon; between external conditions and subjective perceptions, and between the contents and the favorability of the entity acted upon. These distinctions facilitate theoretical precision and can guide empirical investigation towards more fruitful designs.

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## 1. Executive summary

In a particular situation, a given individual may conclude that trying to start a new business is a worthwhile thing to do. In other situations that same individual may not be inclined to take entrepreneurial action. Now assume that this individual is a serial entrepreneur. If the career-long track record of this serial entrepreneur could be examined, an oscillating mix of aborted start-up attempts, some outright failures, some minor successes, and perhaps one or more great entrepreneurial triumphs would likely be found. Since the individual is the same, this suggests that knowledge about the person alone cannot explain entrepreneurial action and outcomes. There must be another part to the story. According to *Shane and Venkataraman's (2000)* seminal article, this other part is the “entrepreneurial opportunity” and to understand entrepreneurial processes, researchers ought to study both the individuals, the “opportunities” and their fit, i.e., the individual–opportunity nexus.

Whether triggered by *Shane and Venkataraman (2000)* or not, researchers have since paid considerable attention to “entrepreneurial opportunities”. We perform a critical review of 210 papers published since 2000 in leading journals, which use “opportunity” in relevant ways in their title, keywords, or abstract. This review shows that this literature has grown very rapidly and that progress

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has been made on a range of topics. Conceptual distinctions between “discovery” and “creation” of “opportunities”, and between “first-person” and third-person “opportunities” have achieved some traction. Progress has also been made regarding the sources of “opportunities” and the evolving nature of entrepreneurial processes. Experimental work has yielded a body of work on prior knowledge and other drivers of the identification of “opportunities” and their perceived attractiveness. Thus, increased attention to “opportunities” seems to have helped open up new and fruitful lines of inquiry.

However, despite its intuitive appeal and apparent early success, the “opportunity” construct may not provide a sound foundation for further progress in entrepreneurship research. Our review shows that the minority of works that offer a definition of “opportunity” have radically different ideas about what they essentially are (e.g., *sets of [objective] external conditions vs. individual cognitions vs. social constructions*) as well as when, where and why the “opportunity” label is deserved. Importantly, even with a stated definition authors struggle to apply a consistent view of “opportunity” within individual works. In short, “opportunity” is a very elusive concept.

We argue that this lack of construct clarity is a major reason why our review finds disappointingly little progress on several core questions pertaining to “opportunities” and the entrepreneurship nexus. There is very little solid knowledge about what the salient characteristics of “opportunities” are; how we can identify such entities and measure their characteristics in non-experimental settings, and what direct and actor-moderated effects they have on action and outcomes beyond initial attractiveness assessments. We also argue that many of the problems are inherent in any notion of “opportunity” and therefore inescapable in research under that label. In particular, the favorability connotation of “opportunity” is highly problematic in forward-looking research, i.e., when trying to argue at an early stage how the characteristics of the actor and the “opportunity” will affect action and outcomes. If the rationale for the “opportunity” label is the actor’s perception of the entity as an “opportunity”, then characteristics of “opportunities” cannot explain inaction and we would have to change labels when the actor stops pursuing the former “opportunity”. If the rationale is instead “objectively” favorable outcome prospects, then characteristics of “opportunities” can explain neither inaction nor failure.

On the basis of our review we conclude that “opportunity” is not a suitable construct for the non-actor nexus component in prospective theory of entrepreneurial processes. Further, we conclude that to capture the many valuable ideas developed under the “opportunity” label more than one construct is needed. Therefore, in order to facilitate future theorizing and empirical testing we suggest three carefully defined and elaborated constructs be used. The first is *External Enablers* for the aggregate-level circumstances—such as regulatory changes, technological breakthroughs, and demographic shifts—which may affect a variety of new venture creation attempts by several, different actors. External Enablers are assumed to create room for new economic activities but cannot ensure success for particular ventures that are initiated in response to their occurrence. Neither need they be positive overall for the economy. The second construct is *New Venture Ideas*. This denotes “imagined future ventures”; i.e., imaginary combinations of product/service offerings, markets, and means of bringing these offerings into existence. These can be of any quality and may be evaluated differently by different individuals. New Venture Idea is our main alternative to accompany the actor under the nexus view. Third, we suggest that *Opportunity Confidence* has the important, supplementary role of eliminating perceived favorability from the other two constructs. Hence, Opportunity Confidence refers strictly to a particular actor’s subjective evaluation of the attractiveness—or lack thereof—of a stimulus (External Enabler or New Venture Idea) as the basis for entrepreneurial activity.

This re-conceptualization makes clear distinctions where prior conceptions have been blurred: between external conditions and subjective perceptions; between actor and the entity acted upon; between the contents and the favorability of the focal entity, and between explanatory factors and that which is to be explained. These distinctions facilitate theoretical precision and can help develop more fruitful designs for empirical investigations. Using the three constructs, we outline ideas concerning theoretical gaps and empirical approaches for future theorizing and testing of phenomena in entrepreneurial processes. We hope that these ideas will encourage research on a range of theoretically and practically important questions by scholars representing a broad set of disciplines, philosophical convictions, and methodological preferences.

## 2. Introduction

There is growing consensus that entrepreneurship is the process through which new economic activities and organizations come into existence (Davidsson, 2003; Gartner, 1988; McMullen and Dimov, 2013; Shane and Venkataraman, 2000; Wiklund et al., 2011). Shane and Venkataraman (2000) argued that “opportunities” are central to this process and introduced the concept of the *individual–opportunity nexus*. This notion makes the point that micro-level<sup>1</sup> explanations of entrepreneurial action and outcomes should look beyond the individuals involved. Equally important is attention to qualities of the “opportunities” they pursue, and the fit between individual and “opportunity” (cf. Shane and Venkataraman, 2001; Venkataraman, 1997). Within this framework, a central task for entrepreneurship research is to develop and test theory about how characteristics of “opportunities”, directly and in interaction with actor characteristics, give shape to entrepreneurial processes.

It only takes a disequilibrium assumption to allow for actors to try new ventures and achieve success with them. This suggests that “opportunity” in some sense exists. Most would also agree that it is individuals’ subjective perception of (first-person) opportunity that makes them take entrepreneurial action (McMullen and Shepherd, 2006). It is therefore not surprising that the notion of “entrepreneurial opportunity” has achieved a central role in the academic discourses on entrepreneurship and that the associated

<sup>1</sup> Throughout this manuscript “micro” refers to the individual(s); the (emerging) venture (idea), or the individual-venture dyad; i.e., the “nexus”, as opposed to aggregate entities such as industries; regions; populations, and economic systems.

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