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## Opportunity discovery and creation in social entrepreneurship: An exploratory study in Mexico

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## ABSTRACT

Building on the literature on opportunity identification among commercial entrepreneurs, we propose a conceptual framework for the opportunity identification process in social entrepreneurship that includes both opportunity discovery and opportunity creation. We develop scales to measure these constructs and examine their validity and reliability. In addition, we develop and test hypotheses explaining the causes of opportunity discovery and opportunity creation. Our results confirm that opportunity discovery and opportunity creation are mutually exclusive constructs. We also find support for the role of radical innovation and information search in the opportunity identification process in a sample of Mexican social entrepreneurs.

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### 1. Introduction

Social entrepreneurship is rapidly growing in Mexico. Although there are no hard numbers, Ashoka Mexico works with 204 social entrepreneurs and their enterprises. One example is “Circo Volador” (Flying Circus – but not literally a circus) in Mexico City founded by Héctor Castillo. This social venture reaches out to young gang members by providing them with opportunities for personal and professional development. An academic by profession, Castillo developed the idea to start “Circo Volador” when he was invited by the local government to develop a strategy to address the needs of gang youth. Initially, he started with a radio show to reach over 1500 gangs in Mexico City and 2300 in the State of Mexico, which covered a population of more than 2.5 million gang youth or youth at risk. As he became more aware of their needs and abilities, Castillo gradually came upon the idea of empowering the youth to generate income by using their own talents to produce marketable goods and services.

Critical to Castillo's success was the correct identification and exploitation of a social opportunity. There is some consensus among scholars that opportunity identification is the most fundamental element in the entrepreneurial process (Corner & Ho, 2010; Gaglio & Katz, 2001). Although opportunity identification has been studied from different perspectives in the commercial entrepreneurship literature, there are

several authors who consider that there is still little empirical research that examines how social entrepreneurs identify social opportunities (e.g., Austin, Stevenson, & Wei-Skillern, 2006; Corner & Ho, 2010; Lehner & Kansikas, 2012; Perrini, Vurro, & Costanzo, 2010; Shaw & Carter, 2007).

In this paper, we fill this gap by adapting the theory of opportunity discovery and creation (Alvarez & Barney, 2007) from commercial entrepreneurship to the realm of social entrepreneurship in order to explain the identification of social opportunities. In this way, we seek to determine which variables from the commercial opportunity identification process apply to the opportunity identification process in social entrepreneurship. The challenge is especially great as these constructs have not yet been operationalized for social entrepreneurship. There have been some efforts to operationalize opportunity identification in commercial entrepreneurship (e.g. Grégoire, Shepherd, & Schurer, 2010; Wang, Ellinger, & Wu, 2013); however, these studies refer to the recognition of opportunities without distinguishing between creation or discovery; furthermore, some studies are mostly related to the entrepreneur's beliefs based on hypothetical situations (Grégoire et al., 2010).

In this study, we develop a number of hypotheses to explain why opportunity discovery or opportunity creation will occur by drawing on the commercial entrepreneurship literature. We test these hypotheses by developing scales to measure the main constructs and applying a survey instrument to a sample of 74 social entrepreneurs in Mexico. We find evidence to support some, but not all of the hypotheses, suggesting limits to the ability of the literature to explain opportunity identification in social entrepreneurship.

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2. Theoretical framework

Opportunity is a key element in both commercial and social entrepreneurship (Mair & Martí, 2006). Furthermore, scholars distinguish between commercial and social opportunities (Austin et al., 2006; Robinson, 2006), identifying differences in the mission and value created by each. While commercial value creation is about the creation of personal and/or shareholder wealth (Austin et al., 2006), social value creation is “about resolving social issues such as generating income for the economically disadvantaged or delivering medical supplies to poverty-stricken areas of the globe and requires innovation just as economic value creation in the commercial sector does” (Corner & Ho, 2010: 636). Social value creation is about social impact.

With the notable exception of Austin et al. (2006), the concept of social opportunity has not been defined in the literature (e.g., Mair, 2006; Robinson, 2006; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). In the case of Austin et al. (2006), they provide a generic definition of opportunity which makes it difficult to differentiate between commercial and social opportunities. Similar to business opportunities, social opportunities need to be served by potential solutions provided for social problems. Therefore, we define social opportunity as a potential business solution to address a social problem. This solution should generate social value, which is defined as “that which enhances well-being for the earth and its living organisms” (Brickson, 2007: 866).

2.1. Opportunity identification in social entrepreneurship

Although many refer to the term “opportunity identification,” in fact there is little clarity as to what this term means. The first studies to examine the way entrepreneurs perceived opportunities were based on the theory of opportunity recognition (Gaglio & Katz, 2001; Shane & Venkataraman, 2000). Here opportunities are conceived to be objective phenomena; that is, they exist independently of the entrepreneur (Eckhardt & Shane, 2003; Gartner, Carter, & Hills, 2003), which implies that opportunities are “objects that are there ..., just waiting to be discovered” (Alvarez & Barney, 2007:11). Thus, recognition involves searching for and finding opportunities.

Recently, a new theory articulated by Alvarez and Barney (2007) holds that opportunities may be created by entrepreneurs. This approach implies that opportunities depend on entrepreneurs and are therefore subjective phenomena. Entrepreneurs essentially construct their opportunities. The theory of opportunity creation has been gaining strength as more scholars have provided empirical evidence that some entrepreneurs initiate an iterative process of enactment to form opportunities (Alvarez & Barney, 2007; Baker & Nelson, 2005; Sarasvathy, 2001). The idea of enactment comes from the work of Karl Weick

(1988: 306) who explains that “when people act, they bring events and structures into existence and set them in motion.” So opportunities are created as a consequence of the actions of the social entrepreneur.

In order to synthesize the two approaches, Alvarez and Barney (2007) argued that opportunities can be formed by exogenous shocks or by entrepreneurs. Therefore, opportunity identification refers to the way entrepreneurs become aware of an opportunity, whether discovered or created. Still empirical research has not demonstrated that opportunity discovery and opportunity creation are two independent constructs within this process. Due to the lack of theoretical development on opportunity identification in social entrepreneurship, we have drawn upon the mainstream entrepreneurship literature to propose a series of hypotheses regarding opportunity identification among social entrepreneurs. Specifically, we argue that opportunity discovery is a function of entrepreneurial alertness, based on an information search of preexisting business solutions, the perception of the environment, and the entrepreneur's network of weak ties. Opportunity creation is a function of bricolage capabilities, innovation radicalness, and blind or myopic variations. Fig. 1 summarizes the theoretical relationships proposed in this study.

2.1.1. Factors involved in the discovery of social opportunities

Entrepreneurial alertness has been identified as one of the key attributes that can lead entrepreneurs to discover opportunities. For Kirzner (1997:72), entrepreneurial alertness “refers to an attitude of receptiveness to available (but hitherto overlooked) opportunities.” In this sense, entrepreneurs are continuously scanning the environment to find opportunities. Entrepreneurial alertness depends on three different elements: information search, perception of the environment, and the entrepreneur's social network of weak ties.

The search for idiosyncratic information is essential to entrepreneurial alertness (Eckhardt & Shane, 2003; Gaglio & Katz, 2001; Gartner et al., 2003; Kirzner, 1973; Shane, 2003). When social entrepreneurs analyze and understand the social problem that has attracted their attention, they initiate a search for information related to possible solutions for the social problem. For example, in the case of “Circo Volador,” Héctor Castillo started to search for information by looking at existing projects in Mexico City, but found little information about gang youth. In order to understand their culture and needs, he created a radio program directed toward and produced with gang youth. The radio program opened the doors to many other opportunities to interact with the youth in order to understand their needs. Thus, through this idiosyncratic search for information, Castillo eventually came upon the idea of “Circo Volador”.

We argue that social entrepreneurs with a higher inclination to search for information to find a solution to solve a specific social

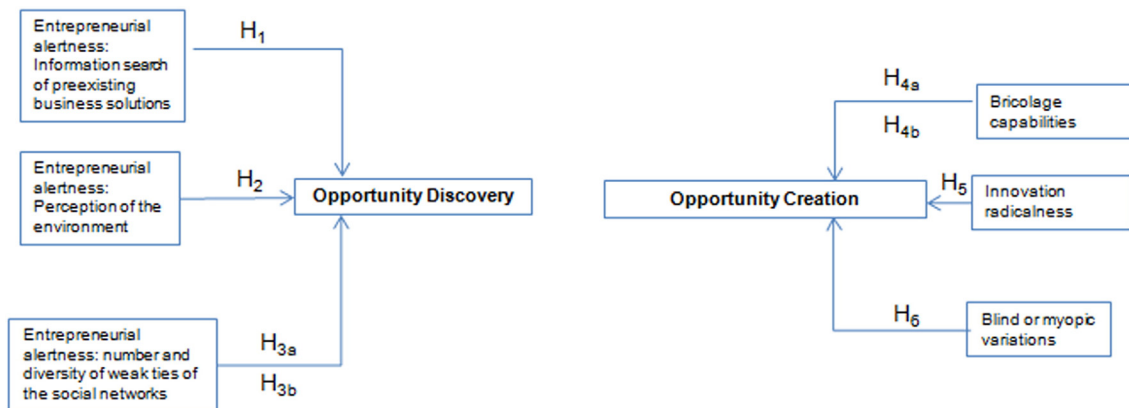


Fig. 1. Conceptual model of the factors that lead social entrepreneurs to discover or create social opportunities.

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