



Accepting the unknowables of entrepreneurship and overcoming philosophical obstacles to scientific progress



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ABSTRACT

In his recent commentary, Per Davidsson questions the potential of the actualization perspective of entrepreneurship to move the field forward. The actualization approach stresses that opportunities do not exist as actualized and empirically undiscovered entities, but as the profit propensities that may actualize when properly exploited. This worldview emphatically acknowledges an impenetrable region of “unknowable”: we cannot know where and when opportunities exist or whether they can be actualized by any given agent. Davidsson is, therefore, justified to doubt that the propensity conceptualization can facilitate the production of predictive knowledge involving the causal interaction between empirically tractable entities with events of “action” and “success”. However, Davidsson is unjustifiably concerned that this limitation hinders the scientific progress of entrepreneurship. This concern only reflects philosophical preoccupations of an empiricist nature, which ought to be uprooted for the study of entrepreneurship to progress along genuinely scientific pathways.

1. Introduction

We welcome Professor Davidsson (2017a)'s critical commentary titled “Opportunities as Propensities: Do Ramoglou & Tsang Move the Field Forward?” of our *Academy of Management Review* paper “A Realist Perspective of Entrepreneurship: Opportunities as Propensities” (Ramoglou & Tsang, 2016; R & T hereafter) as an opportunity for a much-needed discussion regarding the proper way for the scientific advancement of entrepreneurship research. Besides being one of the most accomplished entrepreneurship researchers, Davidsson is also a highly competent critic of opportunity discourse (Davidsson, 2004, 2015, 2016a, 2016b, 2017a 2017b). An overriding concern of his criticisms pertains to the elusiveness of the opportunity construct. Davidsson deploys the same line of critique against our propensity conceptualization of opportunities. According to Davidsson (2017a: p. 82), it is equally elusive, and also fails to contribute to another (allegedly) central problem, viz., the “slow progress regarding how characteristics of ‘entrepreneurial opportunities’ give shape to entrepreneurial action and outcomes”.

Opportunity discourse is mired in confusion (Hansen et al., 2011; Wood, 2017a) and opportunities are often treated as some sort of empirically observable entities triggering entrepreneurial action and success (Alvarez et al., 2014; Ramoglou, 2013). Our paper was motivated to offer a more realistic understanding of what opportunities might intelligibly be. To this end, we argued that we should recognize their unactualized mode of existence: entrepreneurial opportunities do not exist “out there” as mountains or dollar bills, but in the form of unmet or possible market demand that can be actualized into profits by means of innovative entrepreneurial activity (R & T: p. 411–413). The propensity conceptualization of opportunities entails that, when they are real, they exist as the

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underlying market conditions making the emergence of desirable entrepreneurial outcomes objectively possible (see also Ramoglou and Tsang, 2017). It further means that opportunities themselves are *neither* observable *nor* can they cause action in any meaningful manner.

This realistic and *conceptually* clear landscape reveals the *empirically* elusive nature of opportunities. Davidsson (2017a: p. 84) is, therefore, correct to note that propensities are “empirically non-tractable sets of external circumstances” that “cannot be identified, sampled or measured because they are only knowable in arrears through the actualization of profits”. Davidsson is similarly right to remark that our perspective does *not* facilitate the development of predictive theory capable of identifying the “characteristics of ‘entrepreneurial opportunities’” causally conjoined with events of “actions” and “outcomes”. But we disagree that those are problems.

Propensities and powers are not themselves directly observable but we may only observe their empirical manifestations (Popper, 1959; Runde, 1999). If opportunities exist as propensities, then by virtue of their very nature they cannot but be empirically unidentifiable prior to their actualization into profits (or any other ends motivating entrepreneurial action). We ought to embrace the irreducible uncertainty associated with this basic ontological fact, and be far more mindful of the epistemological limitations entailed by this ontology. We cannot identify, measure or sample them, or find how they cause entrepreneurial action and outcomes. Opportunities are real. But they are not a usual kind of “real things”.

Contrary to Davidsson, we deem that the true obstacle to progress is not posited by the empirical elusiveness of opportunities, but by the philosophical preoccupations responsible for framing this ontological fact as an obstacle to progress. Specifically, it is the influence of empiricist philosophy responsible for the flawed belief that progress is solely a matter of intensified research into empirically tractable constructs and the construction of predictively powerful theories. Empiricist ideologies of scientific progress make us reluctant to face the ontological uncertainties at the heart of the entrepreneurial process and impel us to treat opportunities as something more tractable than they truly are. In effect, it is such philosophical prejudices that encourage the unrealistic treatment of entrepreneurial opportunities as new venture opportunities (Shane, 2000; Vogel, 2017) or beliefs about opportunities (Berglund and Korsgaard, 2017; Casson and Wadson, 2007) – let alone some force (Shane et al., 2003: p. 269) supposedly detectable through appropriate instruments (Dahlqvist and Wiklund, 2012: p. 185). The fact that “sampling and measuring objective opportunities is an impossible task” (Davidsson, 2016a: p. 230) does not mean that we should exclude the opportunity concept from scientifically meaningful discourse or (mis)treat opportunities *as if* they existed as entities that can be sampled and measured. This fact only speaks to the ontological idiosyncrasies of our subject matter and reveals the limits to the knowable (Ramoglou and Tsang, 2017). Science is about understanding our world. And knowing what can be known is a fundamental kind of understanding and vital for the possibility of genuine scientific progress.

In what follows, we explain Davidsson's resistance to our efforts at conceptual analysis and clarification through the explicit identification of the underlying philosophical differences. We then endeavor to uproot damaging philosophical misconceptions by stressing that scientific progress fundamentally requires the realism of core concepts – not their oversimplification in order to fit preconceived ideas about scientific practice. Though we trace the bulk of Davidsson's criticism in philosophical differences, we also address peripheral criticisms (in Appendix A, due to space limitations).

2. In search of clear understanding

The idea that opportunities exist “out there” awaiting discovery is central to Kirzner's (1973, 1997) analysis of the market process. But it was not till Shane and Venkataraman's (2000) seminal contribution that the centrality of “entrepreneurial opportunities” for the scientific progress of entrepreneurship as an independent field of research was established. Although we agree with Davidsson (2015) that the indiscriminate use of the “opportunity” concept has been a source of massive confusion, the remedies we put forward are radically different. Davidsson's solution is to drop the concept. By contrast we try to clarify the meaning of the concept by fleshing out the theoretical language and analogies that can make its academic use more consistent with everyday understandings (Ramoglou and Tsang, 2017).

A key insight in R & T was that a major source of confusion lies in Kirzner's (1979, 1997) careless theoretical articulation of an otherwise astute ontological insight. Specifically, Kirzner underscored the existence of entrepreneurial opportunities assailing the equilibrium models characterizing neoclassical economics. In the neoclassical worldview, “no opportunities for pure profit can possibly exist” (Kirzner, 1997: p. 70), something that is clearly at odds with “what we know about real world economic systems” (Kirzner, 1997: p. 65). Kirzner's attention to opportunities essentially offered a realist critique by nourishing a conception of economic systems that is more faithful to the world as we know it: possibilities for profit are never exhaustible in current economic transactions. But besides the rightful acknowledgment of opportunities at the heart of the economic world-map, Kirzner also bequeathed entrepreneurship discourse with the bewildering picture of opportunities existing as actualized but empirically undiscovered entities.

R & T attributed this unrealistic treatment of opportunities to the fact that the meaning of the concept was quickly distorted once opportunity-talk was entangled in analogies of dollar bills that can be discovered and grasped (e.g. Kirzner, 1973: p. 48). Drawing on the richer ontological grammar afforded by realist philosophy (Bhaskar, 1978), R & T endeavored to ontologically rectify the reality of opportunities as propensities: opportunities are real, but *not* real in the manner of actualized and undiscovered entities. They are real as conditions of possibility, and exist as the underlying market conditions making the emergence of desirable outcomes possible. As evidenced in a lexical definition reproduced by Davidsson (2015: p. 682), opportunity refers to “a set of circumstances that makes it possible to do something”. R & T advises that we think about opportunities “more like the (unobservable) intrinsic power of a seed's propensity to germinate into a flower—versus the flower itself” (R & T: p. 417), and identifies the “seed” of unrealized profits in market demand that can be actualized with varying levels of agency intensity (R & T: p. 418–419).

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