



Knowledge as the source of opportunity



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ABSTRACT

In this paper, we show how Davidson's theory of knowledge can be used to elaborate the objective, intersubjective and subjective components of knowledge. Departing from Hayek's core insights about the dispersion of knowledge in society, we reiterate that opportunities involve subjective knowledge such as judgment and imagination, intersubjective knowledge of the social and institutional context, as well as knowledge about objective realities "out there".

1. Introduction

The domain of entrepreneurship is still scattered with regard to what constitutes its core. Widespread agreement has emerged, however, that entrepreneurship involves the pursuit of opportunities. During the past decade, entrepreneurship has mainly been understood through the discovery perspective (e.g., opportunities are ontologically "out there"; they just have to be discovered) (Shane, 2003, 2012). In critical response to this view, the so-called creation view has argued that opportunities are created through processes of social construction (Aldrich and Fiol, 1994; Alvarez et al., 2013; Korsgaard, 2013). Additionally, the subjectivist perspective has added nuance to the debate by suggesting that opportunities are creatively imagined by the entrepreneur (Chiles et al., 2007, 2010a, 2010b; Mahoney and Michael, 2005; Lachmann, 1976), or that opportunity is latent to subjective judgments about allocation of resources (Foss and Klein, 2012; Klein, 2008). The differences between the competing views have largely been taken as ontological and epistemological disagreement concerning the nature of opportunities as a category. Ultimately this has led to a (arguably conceptually stimulating) stalemate with none of the competing views really successfully incorporating a holistic conceptualization of opportunities in the entrepreneurial process (Crawford et al., 2016).

In this paper, we follow Crawford and colleagues (Crawford et al., 2016) in questioning the importance of making the issue of "opportunity" into a deep ontological debate, and instead we attempt to circumvent the impasse of the ontologically driven debate. We do this by re-emphasizing the original observation of Hayek and Kirzner that opportunities arise from the distribution of knowledge in the society and therefore may be treated as a function of knowledge (Hayek, 1945) and a form of future looking knowledge; (Knight, 1921). As a robust point of departure, we look to Hayek's (1945) influential paper on the distribution of knowledge in society and its consequences. As pointed out by Hayek (1945: 519).

The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate "given" resources ... it is a problem of the utilization of knowledge not given to anyone in its totality.

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In the Hayek model it is the uneven distribution of knowledge that gives rise to the problem of allocation, to which entrepreneurship is the solution. Any given economic actor will have incomplete and imperfect knowledge, and while this makes it impossible for all to make rational and optimizing decisions, it also gives “practically every individual ... some advantage over all others in that he possesses unique information of which beneficial use might be made” (Hayek, 1945: 521). Notably, the uneven distribution is both cross-sectional and longitudinal, meaning that the distribution is both across people and places as well as over time (Dew et al., 2004). As emphasized by Kirzner (1973) (Korsgaard et al., 2016) it is in the uneven distribution of knowledge across people, places and time that we find opportunities. Opportunities reside in knowledge and information, the differences in where it exists, where it does not exist, who has it and who does not have it. While (too) much has been made of Kirzner's metaphor of discovering the opportunities, we suggest that there is value in exploring the Hayek-Kirzner idea of opportunities as originating in knowledge and its distribution.

In this paper, we explore the idea of opportunities as knowledge by employing Donald Davidson's tripod of knowledge (objective, intersubjective, and subjective) to claim that opportunities consist of these three forms of knowledge dispersed among people and places, and over time. This argument mirrors recent criticisms of the opportunity concept, including Per Davidsson's (2015) attempt to break up the opportunity concept into three distinct constructs (external enablers, new venture ideas, and opportunity confidence) and Kitching and Rouse's (2016) critical realism, which incorporates structural (objective), social (intersubjective) and agentic (subjective) components. Our argument, however, maintains the value of the opportunity concept, while catering to the insightful concerns raised by critics.

2. Davidson's main thesis

Our point of departure builds on the premise laid down by Venkataraman et al. (2012) that the domain of entrepreneurship can be grounded on a philosophical ‘tripod’ which captures the objective, intersubjective and subjective. Consequently, the domain of entrepreneurship must be concerned with the external physical world (the objective), what is socially constructed between minds (the intersubjective) and the subjectivity within minds. Like Venkataraman and colleagues, we explicitly use the theory of knowledge laid forward by the late philosopher Davidson (2001). While the existing discussion to some extent manages to touch upon all these dimensions, it does not manage to understand the connections between them. We therefore sketch Davidson's thesis of the three varieties of knowledge, and develop a set of propositions. Our overall argument is that we must “trichotomize” our epistemological understanding of entrepreneurship if we are to build more complete theories within the domain. Davidson's conception of the subjective, the intersubjective and the objective captures the requisite elements for these endeavours.

According to Davidson (2001: 208), there are three basic problems within philosophy of knowledge: “how a mind can know the world of nature, how it is possible for one mind to know another, and how it is possible to know the contents of our own minds...”. These questions reflect the objective, the intersubjective, and the subjective forms of knowledge, respectively, and they reflect three different epistemological types, and cannot, therefore, according to Davidson, be further collapsed. These three types of knowledge are also strongly interrelated (2001: 208–220). In brief, the nature of the ‘objective’ regards the mind's representation of the external world. The nature of the intersubjective captures what is between minds, i.e. social and institutional interactions (Duranti, 2010). The nature of the subjective captures what “I” know, or what is embedded in my taste, preferences, expectations, intuition, creative imagination or judgment, based on my personal experiences – from a lived life. It also captures subjective knowledge of time and place (Hayek, 1945). In the remaining, we use these concepts as the main structure.

2.1. The ‘Objective’

Shane (2003, 2012) and colleagues have argued for entrepreneurship understood through the discovery lens. Building on the original ideas of Kirzner, the discovery perspective suggests that opportunities are waiting “out there” to be discovered by would-be entrepreneurs. While merits and challenges of the discovery view have been discussed intensely elsewhere, we focus on a key insight of the discovery view – and one which also makes up a key counterargument to the creation view – namely that a conceptualization of opportunity must connect to some objective reality independent of the entrepreneur (Shane, 2012; Shane and Venkataraman, 2000). Otherwise, the success of an entrepreneurial process would be decided solely by the intensity with which the entrepreneur believes in her opportunity. As pointed by Ramoglou and Zyglidopoulos (2015: 75) “the realm of the naturally possible is narrower than the realm of the imaginable”. Consequently, there are some realities out there that are arbiters of the success of the entrepreneurial vision and actions. A similar line of argument has been adopted by Davidsson (2015: 684), who refer to this as the “external enablers” of new venture creation. Examples include new demand caused by demographic changes or changes in the environment and new supply resulting from scientific discoveries (Shane, 2012; Shane and Venkataraman, 2000). Ultimately, this has to do with the material feasibility of what the entrepreneur envisions to do (Davidsson, 2015). Without resonance in the material reality opportunities can be only figments of the entrepreneurs' imagination. A cure for cancer is clearly a great opportunity due to high and given demand, but only if the treatment is technically feasible. Correspondingly, we have the basis for our first proposition:

Proposition 1. Opportunities contain knowledge of objective realities beyond the control of the entrepreneur.

2.2. The ‘Intersubjective’

In Davidson's tripod, the intersubjective refers to the explicit and tacit knowledge between minds. In other words the past,

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