



Innovation and Entrepreneurship Theory

How do we discover and generate opportunities?

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Are opportunities created or discovered?

A major point in entrepreneurship theory



Discovery
Objectivism

Modernism
Creation

Two perspectives : objective and subjective

Entrepreneurial opportunities are
objective phenomena “waiting to be
discovered”
e.g. Snane and Venkataraman, 2000

Entrepreneurial opportunities are subjective
e.g. Alvarez and Barney 2007; Klein 2008



Objectivism - Discovery

- It is important to be the first one
- They arise exogenously from changes in:
 - Technology
 - Demographics
 - Regulations
 - Customer preferences
 - Or other attributes of the industry or market context

... And they are independent of personal perceptions or actions, therefore the differentiating factor is the qualities that Entrepreneurs and non-Entrepreneurs have



Objectivism - Discovery

- Entrepreneurs are ALERT to the opportunities
- They have to discover them as Quickly as Possible to generate success
- They have to be the FIRST on the market



Subjectivism - Creation

- Opportunities do not exist independently of entrepreneur's perception (e.g. Alvares and Barney 2007)
- Entrepreneur plays a causal role in the Creation of opportunities: subjective interpretation of the objective phenomenon
- Opportunities need to be created to exist
- "Opportunities arise endogenously by actions, reactions and enactment of entrepreneurs exploring ways to produce new products or services" (e.g. Gartner, 1985; Saraswathy, 2001)

... And Entrepreneurs ACTIONS become the source of an opportunity, creating it "out of nothing"; finding a value where others do not see it

"The Entrepreneurs ACT, ...OBSERVE the response from their actions (usually the market)...they ADJUST and then they ACT again ..." (e.g. Alvarez and Barney, 2007)



Subjectivism - Creation

- There is an INTERSUBJECTIVE basis for a market (socially constructed entity) based on the interaction between the entrepreneur and the customers
- They need to develop a shared understanding of the Value
- Opportunities may be Created by the individuals
- However they are Validated through the social cross-validation

... So subjection ACTIONS are tested against a SOCIALLY CONSTRUCTED market for validity (source Alvarez and Barney, 2007)



Subjectivism - Creation

- Action and reaction leads to the formation of Opportunities
- Often we are not able to see the “end from the beginning”
- There is no end until the creation process has unfolded

... So this is an ITERATIVE PROCESS (source Alvarez and Barney, 2007)

Combining BOTH theories and the role of technological progress
And SERENDIPITY