

The Promise of Entrepreneurship as a Field of Research

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Abstract

To date, the phenomenon of entrepreneurship **has lacked a conceptual framework**. In this note we draw upon previous research conducted in the different social science disciplines and applied fields of business **to create a conceptual framework for the field**. With this framework **we explain a set of empirical phenomena** and **predict a set of outcomes** not explained or predicted by conceptual frameworks already in existence in other fields.

Outline

- DEFINITION OF ENTREPREUNERSHIP
- WHY STUDY ENTREPREUNERSHIP
- THE EXISTENCE, DISCOVERY, AND EXPLOITATION OF ENTREPRENEURIAL OPPORTUNITIES
- MODE OF EXPLOITATION

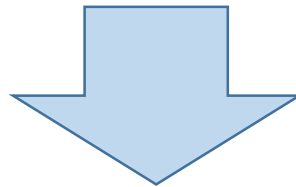
Entrepreneurship is

Entrepreneurship is concerned with the
discovery and exploitation of profitable
opportunities

THE DOMAIN OF THE FIELD: DEFINITION OF ENTREPRENEURSHIP

- Perhaps the largest obstacle in creating a conceptual framework for the entrepreneurship field has been its definition.
- most researchers have defined the field solely in terms of who the entrepreneur is and what he or she does (Venkataraman, 1997)

Entrepreneurship involves the nexus of two phenomena



- (1) The presence of lucrative opportunities**
- (2) The presence of enterprising individuals**

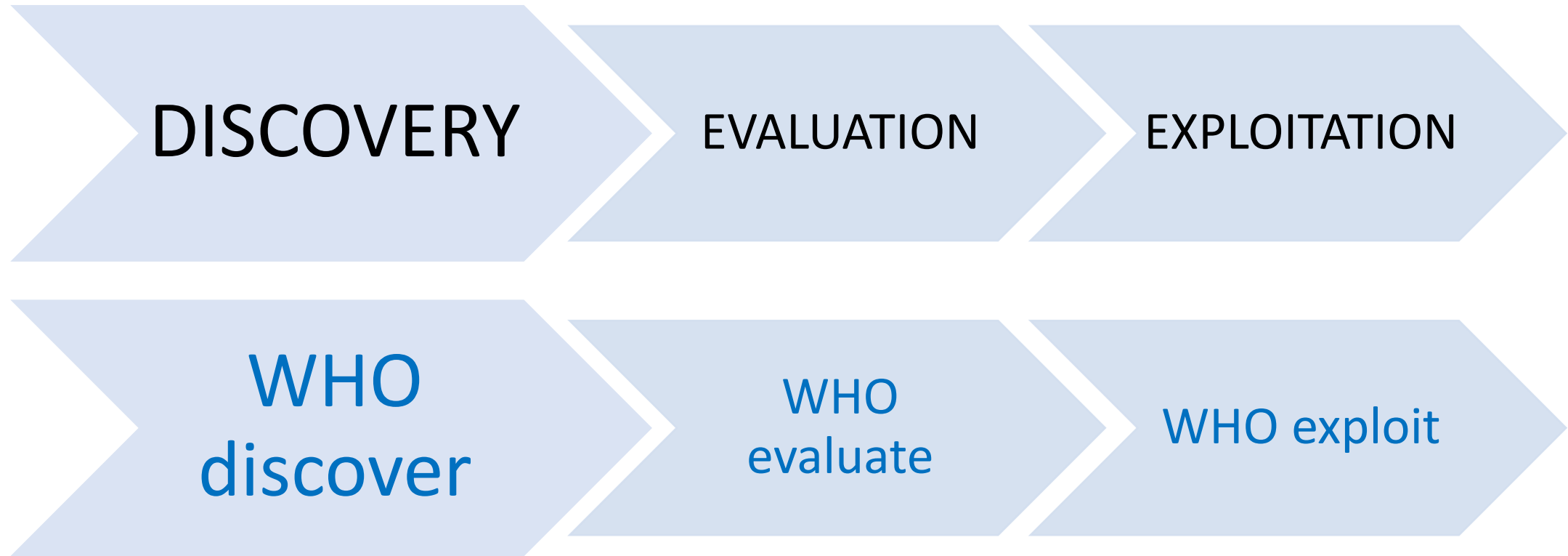
we define the field of entrepreneurship

In contrast to previous research, we define the field of entrepreneurship as the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (Venkataraman, 1997). Consequently, the field involves the study of sources of opportunities;

Sources of opportunities

(1) the process of discovery, evaluation and exploitation of opportunities

(2) the set of individuals who discover, evaluate and exploit them



THE FIELD OF ENTREPRENEURSHIP

- Consequently, the field involves the study of **sources of opportunities**; the **processes of discovery, evaluation**, and **exploitation of opportunities**; and the set of **individuals who discover, evaluate, and exploit them**.

Organization scholars:

(1) why, when, and how opportunities for the creation of goods and services come into existence;

(2) why, when, and how some people and not others discover and exploit these opportunities;

(3) why, when, and how different modes of action are used to exploit entrepreneurial opportunities

THE FIELD OF ENTREPRENEURSHIP

- **First**, we take a disequilibrium approach. [...] Entrepreneurial behavior is transitory (Carroll & Mosakowski, 1987) [...] it is improbable that entrepreneurship can be explained solely by reference to a characteristic of certain people independent of the situations in which they find themselves.
- **Second**, we argue that entrepreneurship does not require, but can include, the creation of new organizations. [...] entrepreneurship can also occur within an existing organization.

THE FIELD OF ENTREPRENEURSHIP

- **Third**, our framework complements [...] population-level factors that influence firm creation [...] the effects of such factors as environmental carrying capacity, interpopulation processes, and institutional factors.
- **Fourth**, our framework also complements research on the process of firm creation (e.g., Gartner, 1985; Katz & Gartner, 1988; Katz, 1993). [...] Firm creation process researchers examine resource mobilization, firm organizing, and market making, starting with the assumption that opportunities exist, have been discovered, and will be exploited through the creation of new firms.

Framework Shane Vankataran

Our framework differs from these in that (1) we focus on the existence, discovery, and exploitation of opportunities; (2) we examine the influence of individuals and opportunities, rather than environmental antecedents and consequences; and (3) we consider a framework broader than firm creation.

WHY STUDY ENTREPRENEURSHIP

we offer three reasons for studying the topic

- **First**, much technical information is ultimately embodied in products and services (Arrow, 1962), and **entrepreneurship is a mechanism** by which society converts technical information into these products and services.
- **Second**, **entrepreneurship is a mechanism** through which temporal and spatial inefficiencies in an economy are discovered and mitigated (Kirzner, 1997).
- **Third**, Schumpeter (1934) isolated entrepreneurially **driven innovation** in products and processes as the crucial engine driving the change process.

THE EXISTENCE OF ENTREPRENEURIAL OPPORTUNITIES

- Entrepreneurial opportunities: *Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production* (Casson, 1982).
- Entrepreneurial opportunities come in a variety of forms
- Drucker (1985) has described three different categories of opportunities: (1) the creation of new information, as occurs with the invention of new technologies; (2) the exploitation of market inefficiencies that result from information asymmetry, as occurs across time and geography; and (3) the reaction to shifts in the relative costs and benefits of alternative uses for resources, as occurs with political, regulatory, or demographic changes.

THE DISCOVERY OF ENTREPRENEURIAL OPPORTUNITIES

below their marginal cost of production (Schumpeter, 1934). An entrepreneurial discovery occurs when someone makes the conjecture that a set of resources is not put to its "best use" (i.e., the resources are priced "too low," given a belief

THE DISCOVERY OF ENTREPRENEURIAL OPPORTUNITIES

- Because information is imperfectly distributed, all economic actors do not receive new information at the same time. Consequently, some people obtain information before others about resources lying fallow, new discoveries being made, or new markets opening up.
- If economic actors obtain new information before others, they can purchase resources at below their equilibrium value and earn an entrepreneurial profit by recombining the resources and then selling them (Schumpeter, 1934).

THE DISCOVERY OF ENTREPRENEURIAL OPPORTUNITIES

- Why do some people and not others discover particular entrepreneurial opportunities?

✓ INFORMATION CORRIDORS

✓ COGNITIVE PROPERTIES

THE DECISION TO EXPLOITATION OF ENTREPRENEURIAL OPPORTUNITIES

✓ THE NATURE OF THE OPPORTUNITY

✓ INDIVIDUAL DIFFERENCES

MODE OF EXPLOITATION

sfruttamento delle opportunità

- ✓ The creation of new firms (hierarchies)
- ✓ The sale of opportunities to existing firms (markets)
- ✓ The choice of mode depends on:
 - the NATURE of the industrial organization
 - the OPPORTUNITY
 - the APPROPRIABILITY regime