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SUMMARY

THE MANY FACES OF AN ENTREPRENEURIAL OPPORTUNITY:
EXPLORATION AND EXPLOITATION IN THE QUEST FOR NEW IDEAS

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Principal Topic

What an entrepreneurial opportunity is and where opportunities come from are questions at the heart of the entrepreneurial process and a centrepiece in entrepreneurship as a distinctive scholarly domain (Venkataraman, 1997; Shane & Venkataraman, 2000; Singh, 2001; Alvarez & Barney, 2005). In recent years, scholarly attention and emphasis has switched from a person-centric perspective that focuses on enduring differences among individuals to an opportunity-based approach, which situates the locus of interest on the opportunity and the individual-opportunity nexus (Eckhard & Shane, 2003). However, despite the general consensus on the importance of entrepreneurial opportunities for both research and practice, diverging definitions and perspectives abound and welcome further explorations and debate (Singh, 2001; Shane & Eckhard, 2005). Further, the opportunity-centred approach is in need of organizing frameworks that take stock of extant work and offer meaningful typologies.

Method

This is a theoretical paper that combines streams of research that have remained unconnected to put forward a new typology of entrepreneurial opportunities. The categories of the typology are illustrated with a number of cases.

Results and Implications

The typology draws on March’s (1991) distinction between knowledge exploration and knowledge exploitation. Opportunities could stem from exploration, which is about developing new knowledge. Alternatively, they can come from exploitation, in which existing knowledge is being leveraged. We use March’s (1991) original distinction to re-interpret extant perspectives on entrepreneurial opportunities, such as that of Sarasvathy et al (2005), Winter & Szulanski (2001) and Burt (1992, 2004).

As exploration-based sources of entrepreneurial opportunities we include opportunity discovery (identifying either a demand side in need for supply to be developed, or vice-versa) and opportunity creation (when a market or a product/service offering is being invented anew). As exploitation-based sources of entrepreneurial opportunities we consider opportunity recognition (identifying unsatisfied demand that can be fulfilled through existing supply), as well as two additional alternatives - opportunity replication (the duplication of an existing means-end relationship to create value) and opportunity brokerage (creating value by bringing together two or more unconnected parties).

Bringing together existing ideas in the field of entrepreneurship about sources of entrepreneurial opportunities and March’s (1991) concepts of exploration and exploitation adds to the understanding of how entrepreneurial opportunities come into being.

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