THE SYSTEMATIC NATURE OF SERENDIPITY IN OPPORTUNITY DISCOVERY: IMPLICATIONS FOR THE THEORY OF ENTREPRENEURSHIP (SUMMARY)

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SUMMARY

THE SYSTEMATIC NATURE OF SERENDIPITY IN OPPORTUNITY DISCOVERY: IMPLICATIONS FOR THE THEORY OF ENTREPRENEURSHIP

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Principal Topic

This paper endeavors to disentangle search from serendipity in discoveries of new opportunities. Whereas economic models focus on active search and the tradeoff between its costs and benefits, the Austrian economic tradition posits that individuals do not search for opportunities; it is their alertness that helps them to profit from arbitrage opportunities from the imperfect decisions of others. Further, their alertness reflects their unique prior experience. Yet, despite the intuitive soundness of these ideas, some recent experimental empirical work to test them has highlighted the need for stronger theoretical precision. Are serendipitous solutions better than active search solutions? Can serendipitous solutions be induced by proper incentives? The purpose of this paper is to develop a model of the necessary and sufficient conditions for the serendipitous discovery of opportunities. Further, we explore the conditions under which serendipitous discovery rather than search behavior is more likely to lead to optimal solutions.

Method

We posit that people are more likely to identify relevant new information and solve meta-problems if they are not currently seeking to solve some specific problem. That is, the less restricted individuals are by a problem domain, the better they are able to make linkages between relevant information arising in different contexts in solving the meta-problem. On this basis, we propose three sequential conditions for the serendipitous discovery of opportunities. First, individuals need to be exposed to a problem for which there is no solution given the current state of individuals’ knowledge. Second, individuals need to be distracted from actively trying to solve the problem. Third, there needs to be new, hereto unavailable information that is relevant to the solution of the problem. The three conditions, together and in the sequence specified, are both necessary and sufficient for the serendipitous discovery of opportunities.

Results and Implications

Are there circumstances under which economic models are second best? By mapping the causal mechanism through which some individuals with prior knowledge are more likely to discover opportunities, we argue that adopting a rational model (active search) may lead to ignoring relevant new information. This undermines the effectiveness of planned search for solutions.

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