THE ORIGINS OF ENTREPRENEURIAL OPPORTUNITY: NOTES AND INSIGHTS FROM STRATEGIC MANAGEMENT (SUMMARY)

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**Recommended Citation**  
SUMMARY

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Principal Topic

Why, when, and how do entrepreneurial opportunities emerge? Investigation of this seemingly simple question is fundamental to the development of entrepreneurship theory; however, questions concerning the origins of entrepreneurial opportunity remain largely under-studied (Gaglio & Katz, 2001). We investigate an alternative path toward understanding these origins through a deductive survey of five extant strategy theories.

Method

Entrepreneurship scholars have characterized the entrepreneur in many different ways as the discipline has evolved. Recently, a principal paradigm in entrepreneurship research has evolved into what is known as the individual-opportunity nexus (ION). This perspective describes entrepreneurship research as concerned with three questions: why, when, and how opportunities for the creation of goods and services come into existence, why some people and not others discover and exploit these opportunities, and how different modes of action are used to exploit opportunities (Shane and Venkataraman 2000).

We consider the possibility that an examination of the modes of exploitation might provide insights into the nature and sources of opportunity and suggest a mode of exploitation is equivalent to a competitive strategy per that literature. Thus, we review five strategic management theories – industrial organization, the resource based view, transaction cost economics, evolutionary theory, and real options – and consider each as a mode of exploitation in the context of opportunity. We integrate these seemingly disparate frameworks in the context of ION.

Results and Implications

We suggest that while the fundamental questions suggested by the ION framework represent an appropriate and comprehensive treatment of the entrepreneurial process, the logic that underlies the framework may be inadequate to fully account for the origins of entrepreneurial opportunity. A central theme in the ION is that opportunities emerge as a function of market disequilibrium or, more specifically, from the differences people have in their expectations, beliefs, awareness, and/or knowledge about the relative (future) value of resources. Our conclusions suggest that while disequilibrium might be a sufficient condition for the creation of opportunity, it may not be a necessary one. In some cases imperfect or incomplete exploitation of opportunity may have more to do with non-market, within-firm factors than with external market conditions.

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