6-12-2010

TOWARD A SIMPLE THEORY OF COMPLEX OPPORTUNITIES (SUMMARY)

G. Christopher Crawford

University of Louisville, Christopher.Crawford@Louisville.edu

Recommended Citation
Crawford, G. Christopher (2010) "TOWARD A SIMPLE THEORY OF COMPLEX OPPORTUNITIES (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 30: Iss. 15, Article 10.
Available at: http://digitalknowledge.babson.edu/fer/vol30/iss15/10

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

TOWARD A SIMPLE THEORY OF COMPLEX OPPORTUNITIES

G. Christopher Crawford, University of Louisville, USA

Principal Topic

The emergent processes of opportunity recognition and new venture creation has been a central focus of entrepreneurship research for more than two decades. This debate was recently synthesized and delineated into two teleological perspectives, labeled discovery theory and creation theory. Combined, these theories can provide an efficient, linear analysis of entrepreneurial action, based on the domain’s primary set of ontologies and methodologies. Separately, however, both discovery and creation theory appear deficient in explaining, modeling, and predicting the non-linear, interdependent empirical realities of entrepreneurship that result in inordinately high failure rates among new firms.

The purpose of this paper is to propose an alternative view based on complexity science, termed relation theory, with changes centered around three topics: the nature of opportunities, of entrepreneurs, and of the decision-making context. Using a Campbellian realist ontology, relation theory suggests, first, that opportunities exist relative to the entrepreneur’s level of complexity and the actions carried out to manifest it; second, that ex ante differences exist between entrepreneurs and non-entrepreneurs and those differences can become exacerbated ex post after sufficient interaction with potential stakeholders and the environment; and, third, entrepreneurs make decisions under conditions of risk when they create imitative ventures, and uncertainty when they create innovative ventures. Consistent with extant literature and complexity science’s focus on the importance of initial conditions, relation theory suggests that differences in human capital and cognition can produce huge variations in outcomes, the primary research question asks, “How do an entrepreneur’s human capital and growth expectation influence the recognition of opportunities and the ability of the emerging firm to survive five years?”

Method

Repast Simphony, an open-source simulation toolkit, is used to create an agent-based simulation model. The baseline model consists of four different types of entrepreneurs, assigned with a combination of two components: 1) high or low human capital; and 2) growth or stasis expectations for the new venture. As opportunities materialize at different levels of environmental munificence, agents (entrepreneurs) interact with each other and compete to exploit the opportunity based on their level of fitness and motivation to search beyond their proximate location.

Results and Implications

This paper proposes a simple theory about the nature of entrepreneurs, the nature of opportunities, and how both develop over time. Relation theory contributes to the literature in two ways. First, by using a novel agent-based simulation model to develop the initial workings of a domain-specific theory. Second, by suggesting that the desire to have the venture as large as possible both speeds the rate of failure and increases the potential to survive five years.

CONTACT: Christopher Crawford; Christopher.Crawford@Louisville.edu; (T): 502-852-5053; (M): 513-295-8717; University of Louisville, Louisville, KY 40292.