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CONTRASTING THE CREATION AND DISCOVERY THEORIES OF ENTREPRENEURIAL ACTION: A COMPARATIVE CASE STUDY (INTERACTIVE PAPER)

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INTERACTIVE PAPER

CONTRASTING THE CREATION AND DISCOVERY THEORIES OF ENTREPRENEURIAL ACTION: A COMPARATIVE CASE STUDY

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Principal Topic

A topic of interest to researchers is how business start and the activities that business owners engage in before they launch their ventures (Venkataraman, 1977). Historically, scholars have described the business startup process as following a standard process. The process involves recognizing an opportunity, collecting data, and launching the business. More recently researchers have argued that this description, called “discovery theory,” only applies when an opportunity is obvious (Alvarez & Barney, 2007). In this context the role of the entrepreneur is to “discover and exploit” those opportunities that “arise exogenously.” A new school of thought, called “creation theory,” differs from discovery theory and argues that some business ideas do not exist exogenously and originate with the entrepreneur. In this instance the entrepreneur essentially invents the idea (Alvarez & Barney, 2007). Rather than simply validate an obvious idea, the startup process is used to tweak, mold, change, modify, and improve an evolving idea. In addition, the ideal timing of when a step in the business startup process is emphasized will vary depending on whether an idea is discovery or creation initiated.

Method

The study follows a grounded research methodology (Miles & Huberman, 1994) involving in-depth interviews with the founders of 20 entrepreneurs firms. The subjects are from a cross-section of industries, and are situated in two medium-sized Midwestern cities. None of the firms were more than four years old. The differences between discovery and creation-initiated startups have not been subject to much empirical testing. The in-depth nature of the comparative case study methodology is well-suited for the early stages of theory development.

Results and Implications

The results of the study affirmed that entrepreneurs follow both the discovery theory and the creation theories of entrepreneurial startup. Particularly striking was that the majority of the subjects in the study were quick to affirm whether they felt that the opportunity they pursued existed independent of themselves or whether they felt they had essentially invented the opportunity. In some areas, the entrepreneurs who identified themselves as discovery entrepreneurs did not vary as much as expected from the entrepreneurs who identified themselves as creation entrepreneurs. Contingency factors pertaining to discovery vs. creation entrepreneurs are reported in the study.

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