6-9-2012

OPPORTUNITY CREATION, ECONOMIC EXCHANGE, AND NEW VALUE (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol32/iss15/10

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SUMMARY

OPPORTUNITY CREATION, ECONOMIC EXCHANGE, AND NEW VALUE

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Principal Topic

Economic exchange is defined to consist of three elements: the individual (creating entity), the work (the creation), and other persons (the other party to the exchange) (Carter, 1989; Csikszentmihalyi, 1988; Gardner, 1993; Mitchell, Morse, & Sharma, 2003). Prior research demonstrates that each element of the exchange introduces uncertainty (cf. Alvarez & Barney, 2005) that impedes the emergence of the exchange in the first place (Mitchell et al., 2009). That is, in the initial conditions of economic exchange: (1) individuals are uncertain about outcomes of a potential exchange with respect to (2) the work to be exchanged, and (3) the other parties to the potential exchange, because the work to be exchanged introduces what we term resource uncertainty in the mind of the individual: e.g., ignorance about whether the individual has access to the resources needed to create something that others may want for exchange; and similarly, others introduce relational uncertainty: e.g., ignorance about whether the individual trusts potential others and whether these others trust the individual to deliver on the exchange. In this study we ask: what actions enable some, but not others, to create value through economic exchange in the face of relational uncertainty and resource uncertainty?

Method

Participants in our study engaged in an opportunity-formation transacting game. Using elements of The Big Idea (a game of inventing and investing), we asked 78 individuals—in 26 groups of three—to create potential opportunities for exchange by combining adjective cards (herbal, flying, etc.) and noun cards (robot, monkey, etc.). Each participant both created products/services for potential purchase by others, and purchased others products/services. Purchases were made using plastic tokens. Value creation was operationalized as the tokens an individual received divided by the number of exchanges created in a 15 minute time period. Work-focused action and others-focused action were each measured using a four item Likert-type scale (alpha=0.86 and alpha=0.83, respectively).

Results and Implications

To test our hypotheses, we utilized HLM to investigate value creation, controlling for group level effects. We find that the combination of work-focused and others-focused entrepreneurial action is essential to value creation in its most basic sense: exchanges. Where researchers can better understand the nature of the actions that lead to new value in the process of opportunity creation, we can: (1) provide an alternative narrative for previously held notions that certain exchanges somehow just appear—an assumption that is highly useful for analysis in some fields—those that do not concern entrepreneurship, but needs a better story where opportunity emergence is concerned. We can also: (2) contribute to the growing stream of entrepreneurial-action focused research.

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