

New theory on entrepreneurial opportunities offered

October 20 2016, by Brittany Magelssen

In entrepreneurship research, the idea that entrepreneurial opportunities are waiting to be discovered has been challenged by researchers who believe that they are instead created by the entrepreneurs.

Now, a study from The University of Texas at Dallas offers a third view—the actualization approach—as a possibility.

"We argue that entrepreneurial opportunities do not really exist objectively like a piece of lost luggage, as proposed by the discovery approach," said Dr. Eric Tsang, Dallas World Salute Distinguished Professor in Global Strategy in the Naveen Jindal School of Management, who recently published the paper in the *Academy of Management Review*.

"Our argument is that an entrepreneurial opportunity is more like an apple seed. That seed has the potential to grow into an apple tree (i.e., the potential is actualized), but it's not guaranteed. That potential objectively exists."

Tsang, who is among the top contributors to the philosophical analysis of methodological issues in management, said the paper illustrates how philosophy can help solve an academic, as well as a practical, problem—in this case, the mode of existence of an entrepreneurial opportunity.

"We are proposing that an entrepreneurial opportunity exists objectively,

but that does not guarantee that if you identify it and try to exploit it, you'll turn the opportunity into profits. You have to do it right, and often you have to put in the creative effort to make your product innovative. We also caution that, contrary to the creation approach, if the opportunity does not exist, no matter how creative you are, you won't be able to make a profit."

Tsang said the study has implications for education.

The process the actualization approach lays out—imagining the future state of the world, coming up with an idea, believing it will work, implementing it, and then reviewing the process—is different from the existing education in entrepreneurship, Tsang said.

"At the end, whether entrepreneurs made a profit or lost money, they can look back and draw conclusions," he said. "If they made a profit, the opportunity was really there. If they lost money, it does not imply that the opportunity did not exist. It may mean that they didn't do a good job."

The theory also has implications for policy, he said.

For example, in China, the government encourages college graduates to start their own companies. Tsang believes they should receive more guidance and coaching about setting up new businesses, competing in the market and dealing with business failures.

"Policymakers should understand that when these youngsters venture into opportunities that don't really exist, they are doomed to fail," he said. "Failure rates can be high given their lack of business experience."

Tsang has reservations about the view that promoting entrepreneurship alone is an effective means of solving social problems such as

unemployment. He said an entrepreneurship policy must be accompanied by appropriate training and education of potential entrepreneurs.

More information: S. Ramoglou et al. A Realist Perspective of Entrepreneurship: Opportunities As Propensities, *Academy of Management Review* (2015). [DOI: 10.5465/amr.2014.0281](https://doi.org/10.5465/amr.2014.0281)

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