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Entrepreneurial opportunities as propensities: Do Ramoglou & Tsang move the field forward?

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ABSTRACT

Ramoglou & Tsang's (R&T) article "A realist perspective of entrepreneurship: Opportunities as propensities" is a recent, potentially influential addition to the literature on "entrepreneurial opportunities". This short communication argues that R&T's intellectual exercise largely fails to move matters forward on the two most central problems with prior research on "entrepreneurial opportunities", namely 1) lack of construct clarity and 2) slow progress regarding how characteristics of "entrepreneurial opportunities" give shape to entrepreneurial action and outcomes. I suggest that entrepreneurship researchers should avoid the detour of conceptually dichotomizing complex and empirically non-tractable sets of external circumstances into "opportunities" vs. "non-opportunities" and instead direct attention to multi-dimensional and continuous variation in "those [evolving] entities which entrepreneurs actually evaluate and [sometimes] act upon" (and which should not be mislabeled as "opportunities"). For this endeavor, the notion of "agency-intensity" is the primary take-away from R&T's study.

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1. Introduction

In recent decades "entrepreneurial opportunity" has become a central concept in entrepreneurship research (Davidsson, 2015; Mitchell, 2011; Short et al., 2010). Ramoglou and Tsang's (2015; henceforth R&T) article "A realist perspective of entrepreneurship: Opportunities as propensities" in *Academy of Management Review* is a recent, potentially influential addition to this literature. This research note discusses R&T's contribution.

R&T present a thoroughly developed "actualization approach" to entrepreneurial opportunities within a realist meta-theory. Situated between extremes viewing opportunities as objectively pre-existing, ready-to-use entities ("flower-picking") on the one hand and unconstrained possibilism ("flower-sculpting") on the other, their approach portrays opportunities as corresponding to the germination potential hidden in flower seeds. Many researchers may find this conceptualization more palatable than existing alternatives. Hence, R&T's flower seed image may well catch on in the entrepreneurship research community.

R&T provide interesting insights on several issues related to their main theme, and having toiled with the elusive "opportunity" construct myself (e.g., Davidsson, 2015) I can well appreciate the intellectual effort and ability underlying their work. This said, their contribution is not free from limitations. Critics may argue that their exposition bounces around

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among a bewildering gallery or real or imagined supporters and opponents, including neoclassical economics, Kirzner, Schumpeter, own intuitions, laypersons, and an array of other voices. In particular, Discovery- and Creation theorists may wish to point out that they have not (consistently) purported the extreme meta-theoretical positions R&T's stylized account suggests (see, e.g., Alvarez et al., 2013; 307–8; Eckhardt and Shane, 2003; 336). I believe a more important topic for continued discussion is that R&T largely fail to move matters forward on what are arguably the two most central problems with prior research on “entrepreneurial opportunities”. These are 1) lack of construct clarity and 2) slow progress regarding how characteristics of “entrepreneurial opportunities” give shape to entrepreneurial action and outcomes (Davidsson, 2015, 2016; Shane, 2012; cf. Dimov, 2011). In the remainder of this note, I will elaborate on these two points.

2. Construct clarity

Strong theory requires clear constructs (Suddaby, 2010). Regrettably, past research on entrepreneurial opportunities has not excelled in construct clarity, thereby impeding progress (Davidsson, 2015, 2016; Hansen et al., 2011). According to R&T, entrepreneurial opportunity is “the propensity of market demand to be actualized into profits through the introduction of novel products or services” (R&T, p. 411). The “core ontological ingredient” is *desire* (p. 417) which exists *in abstracto* rather than as particular (future) products or services (pp. 418; 425). Further, opportunities have agent-independent existence (p. 415); require varying agency-intensity for their actualization (pp. 418–419), and are knowable only in retrospect through the actualization of profits (pp. 423; 425; 426). Apart from agency-intensity the conceptualization is strictly dichotomized. That is, something either is or is not an opportunity; “there are no shades of gray”, p. 420).

Despite explicit reference to Suddaby's (2010) essay on construct clarity, R&T's portrayal of opportunities remains unclear in several ways. First, their view of opportunities is notably demand-side heavy (cf. Sarasvathy et al., 2003). The reasons for the primacy given to desire and demand (p. 422) are not satisfactorily explained and remain hard to accept. Why would potential demand in the absence of potentially profitable supply qualify better than the converse? Logically, a “propensity (...) to be actualized into profits” requires that both demand and supply are (technically and economically) possible. Further, several of R&T's examples, as well as their notion of “desire-eliciting efforts” (p. 419), suggest both sides drive the actualization process.

Second, when do R&T's opportunities become opportunities? Further, *by when* must something be potentially profitable in order to be an opportunity *now*? If it is not clear (even retrospectively) when an opportunity comes into existence, neither is it clear what an opportunity is. The argument “What we can potentially desire may not operate actively” (p. 419) suggests that that R&T only require the *possibility of future desire*. However, their examples of opportunities and non-opportunities appear inconsistent on this issue. In the HIV cure example (p. 417–418) desire alone (latent demand without proven possibility of a [sufficiently cost-effective] technological solution) seems to suffice for status as an entrepreneurial opportunity. In the case of commercial aviation (p. 422) the opportunity apparently came into existence when actualized demand (“market factors”) was added to proven technological feasibility (“the invention of aircraft”) and in the example electric lighting (p. 422) R&T find reason to point to the time gap between technical invention and actualized profit. It is unclear what this says about the sought-after point about objective (non-)existence of propensities. Similarly, the “non-opportunity” status of horse/dog meat and moon travel is explicitly based on the current cultural mores and the capacity of current technologies. How do these erase propensities pertaining to an unconstrained future? Without temporal demarcations it seems that under R&T's conceptualization—contrary to how they classify their examples—everything that will ever have profit potential has always been an opportunity. This includes commercial aviation as an *unactualized opportunity* in Da Vinci's time (p. 422; cf. Shane, 2012: 16).

Third, the importance of not confusing objective opportunities with subjective ideas has been emphasized in prior literature (Davidsson, 2015; Shane, 2012: 15). Yet, when R&T discuss “the opportunity to profit through the production of t-shirts (...) with the *Je Suis Charlie* slogan” (pp. 415; 418, and in other concrete examples) they do precisely that. They thus follow—against their own definition (p. 411) and advice (p. 418)—the unfortunate tradition of applying the same “opportunity” label within the same manuscript to different types of entities at different levels of abstraction. Producing and selling *Je Suis Charlie* t-shirts is hardly an objectively pre-existing propensity. Rather, it is one of the innumerable *new venture ideas* (NVI; cf. Davidsson, 2015) entrepreneurs could have come up with in response to “the active desire of people to express repulsion against the terrorist attack at Charlie Hebdo”; which is R&T's alternative and more true-to-definition description of the opportunity at hand (p. 418).

It is also worth noting that the “propensity to be actualized into profit” in the *Charlie Hebdo* example (and other examples) can be expressed on many levels of abstraction, from a specific individual's wish to express, in a particular location in Paris on a particular date, repulsion against that particular attack and specifically through conveying a message printed on their t-shirt, to any individual's wish to publicly express their sentiments on any issue at any time or place. This makes any notion of objective opportunities as distinct, individual entities highly controversial (cf. Dimov, 2011). The existence of “objective [entrepreneurial] opportunity” in the abstract sense is an idea around which there is broad agreement. In fact, such existence follows rather trivially from the theoretical assumption of a disequilibrium economy (Shane and Venkataraman, 2000). It is not entirely clear whether R&T also embrace the much more contentious idea of objective opportunities within a particular space-time configuration as a universe of entities which can, in principle, be enumerated.

In all, due to insufficient attention to Suddaby's (2010) scope conditions *time* and *space* (incl. *level*), R&T's examples

actually illustrate the continued “elusiveness of the ‘opportunity’ construct” (p. 414) more than they help establish construct clarity. In the final analysis it seems the authors’ intuitions and rhetorical choices more than anything else determine in which basket individual cases end up. As a consequence, R&T’s “opportunity” construct remains as unclear and debatable as in many previous conceptualizations. This does not reflect sub-standard effort or ability on R&T’s part; it is instead attributable mostly to inherent problems with *any* notion of “opportunity” (Davidsson, 2015). As R&T suggest, the opportunity debate “touches on some of the most demanding aspects of philosophy” (p. 430).

3. Implications for future research

When R&T turn to future research they choose—surprisingly—to only discuss implications pertaining to variance and sense-making among agents. No attention is devoted to variance in opportunities themselves. It is as if the question of what makes some flower seeds and not others germinate under otherwise identical conditions were somehow uninteresting, irrelevant, or non-researchable. This is in direct conflict with a main point of Shane and Venkataraman’s (2000) seminal paper, which was arguably a main trigger of the rapid growth of the “entrepreneurial opportunity” literature. Introducing the “individual-opportunity nexus”, Shane and Venkataraman argued that variance in opportunities, and agent-opportunity fit, are just as important as variance among agents.

I find reason to be more optimistic than R&T about the fruitfulness of scholarly attention to variation in the non-agent side of Shane and Venkataraman’s nexus idea. First, actualization opportunities lend themselves to the development of axiomatic theory (Reynolds, 1971) and computer simulation (McMullen and Dimov, 2013). Such approaches allow the theorist to construct a world where known-to-the-theorist opportunities can vary in prevalence and characteristics. For example, the theorist can apply R&T’s notion of “agency-intensity” (pp. 418–419) and perhaps extend it by distinguishing between a cognitive dimension (“hard-to-discover” in old parlance) and another denoting the difficulty of implementation (“hard-to-exploit”).

Second, by lowering the demands that the objectively pre-existing entities under study are complete or “proven profitable” opportunities we can facilitate theorizing informed by real world data. For example, Bakker and Shepherd (2015) let ore bodies and demand for minerals represent “opportunities” in developing process- and portfolio-oriented theory. Barreto (2012) develops and tests theory about the relative attractiveness of opportunities by cleverly utilizing a setting where the entire “opportunity space” (represented by a finite set of geographical regions) can be defined and observed. More directly in line with R&T’s notion of opportunity, Grégoire and Shepherd (2012) theorize and assess structural vs. superficial alignment of supply and demand elements, letting real technologies and needs represent hitherto unactualized opportunities in their experimental empirics. Their theorizing holds promise of teach- and learnable knowledge that should be of the greatest interest to academics, policy-makers, and entrepreneurship practitioners alike: What kind of “opportunities” tend to be spontaneously under-actualized?

Third, theorizing can be geared instead towards NVIs; a theme I have elaborated on elsewhere (Davidsson, 2015). Unlike “entrepreneurial opportunities”, NVIs are present in *all* venture creation processes, including those leading to non-action; eventual abortion, or failure. They are the imagined *content* of future ventures—“a neutral cognitive projection into the future” (p. 424)—and thus escape the problematic, definitional connotation of favorability. Entrepreneurial agents freely deselect, abandon or change NVIs they do not believe in, and even the best of entrepreneurs cannot turn the worst NVIs into successes. Although theorizing about NVI characteristics is under-developed we need not start from scratch. For example, an analysis at the time would likely have ascribed rather favorable *diffusability* to the *Je Suis Charlie* NVI, based on its compatibility, observability, trialability, and low complexity (Rogers, 1995). A limitation is that although it can provide indirect insights into “objective opportunities” by comparing successful and unsuccessful cases in arrears, a focus on NVIs does not afford as central a role to objective, actor-independent conditions as R&T’s contribution aims to give them. However, research on the role of NVIs can easily be combined with attention to the external factors that enable *and constrain* entrepreneurial action and success.

4. Conclusion

R&T offer an intellectual exercise in the tradition of trying to establish the existence and nature of objective, entrepreneurial opportunities. Their paper illustrates that this remains a very challenging task. What also remains is the question to which extent this type of exercise moves entrepreneurship research forward. R&T’s “opportunities as propensities” cannot be identified, sampled or measured because they are only knowable in arrears through the actualization of profits (pp. 423; 425; 426). Further, the mere presence of profits does not mean that we (or the entrepreneur) have correctly identified what actor-independent set of circumstances it was that allowed these profits to materialize, i.e., that the “contents” of the opportunity are known. Moreover, for those successful cases there exist alternative labels, e.g., “successful start-up” on the micro level and “new [viable] market category” on a somewhat more aggregate level. What do we gain by labeling them “opportunities”?

I believe a much more fruitful way forward is to omit the detour of conceptually dichotomizing complex and empirically non-tractable sets of external circumstances into “opportunities” vs. “non-opportunities” and instead direct attention to

multi-dimensional and continuous variation in “those [evolving] entities which entrepreneurs actually evaluate and [sometimes] act upon” (and which we have good reasons not to mislabel as “opportunities”). Various disciplines provide us with a rich set of theoretical constructs to describe and assess entrepreneurial agents. Entrepreneurship researchers can complement this by developing effective theoretical language pertaining to the characteristics of “that on which they act”. For this endeavor, the notion of “agency-intensity” is the primary take-away from R&T’s study.

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