

Matthew G. Grimes (mgrimes@ualberta.ca)
University of Alberta

Jeffery S. McMullen (mcmullej@indiana.edu)
Indiana University

Timothy J. Vogus
(timothy.vogus@owen.vanderbilt.edu)
Vanderbilt University

Toyah L. Miller (milleto2@indiana.edu)
Indiana University

<http://dx.doi.org/10.5465/amr.2012.0429>



On the Misuse of Realism in the Study of Entrepreneurship

The AMR Decade Award for Shane and Venkataraman's (2000) "The Promise of Entrepreneurship As a Field of Research" recently stimulated a number of commentaries around the burning issue of "entrepreneurial opportunities" (Eckhardt & Shane, 2013; Shane, 2012; Venkataraman, Sarasvathy, Dew, & Forster, 2012). Among them, Alvarez and Barney (2013) extend their earlier analyses on the philosophical foundations of entrepreneurial opportunities (Alvarez & Barney, 2007, 2010) to critique the "critical realist" underpinnings of the discovery approach to entrepreneurship¹ because of critical realism's alleged unsuitability for understanding the nature of opportunities. Our intention here is to explain why germane conceptions of critical realism are grounded on a misreading of realist philosophy of science that, as a matter of fact, subverts the very *raison-d'être* of realism² and perpetuates popular misunderstandings.

If Alvarez and Barney (2013) express their surprise regarding Shane's (2012) insistence on opportunity-realism, we express our surprise

¹ This is the prevalent approach to entrepreneurship and foundationally maintains that opportunities exist out there in the world, waiting to be discovered (Shane, 2012).

² *Critical realism* is a potentially misleading term since it is a portmanteau expression coined by two interrelated but not identical developments in the philosophy of science pioneered by Roy Bhaskar: (1) transcendental realism and (2) critical naturalism. We need not elaborate on the differences between perspectives in realist philosophy of science and, thus, unnecessarily take philosophical jargon on board. Sticking to the term *realism* should prove sufficient for our present purposes.

about Alvarez and Barney's understanding of realism (see especially Alvarez & Barney, 2010). For what they describe as critical realism is, as a matter of fact, an expression of the empiricist philosophy that provoked the realist counter-movement.³ This assessment may be readily substantiated by paying closer attention to what Alvarez and Barney understand to be the theories of existence, meaning, and knowledge presupposed in realist philosophy of science.

Initially, let's fathom Alvarez and Barney's conception of realist theory of existence, in explicating that they ground their verdict of realism on the fact that "the proposition that 'opportunities are objective' [is] so central to [discovery] theory" (2013: 155). This form of reasoning has been frequently repeated by Alvarez and Barney and widely accepted by entrepreneurship scholars (e.g., Roscoe, Cruz, & Howorth, 2013). But *in what sense* do Alvarez and Barney gather that to say that something exists objectively "out there" is realist?

Here we submit that they suppose so because they treat reality synonymously with materiality. That is, their conclusion that discovery theory is realist presupposes a conception of reality according to which for something to exist outside our "minds" means it should be part of the material world, and this is why they suppose that for something to exist objectively is for something to be "in principle, observable" (Alvarez & Barney, 2007: 13).

But this is precisely what realists oppose. For realists, the realm of meaningful references to reality is infinitely larger than the realm of material existence, encompassing gravitation, electromagnetic forces, institutions, potentialities, and so on (see Fleetwood, 2005; Lawson, 2009; Runde, 1999; Searle, 1995). Within this view of reality, it additionally follows that observability is not an epistemologically necessary criterion of existence. As such, if discovery theorists *truly* treat opportunities akin to material entities, Alvarez and Barney are accountable for

³ To briefly expand on this central point, empiricist philosophy of science maintains that scientific inquiry should be delimited to the study of the observable (and ultimately material) domain of the world. Realist philosophy of science counters this view to question the criterion of observability as a ubiquitously valid criterion of knowledge and additionally relaxes the idea that materiality is a necessary component of existence (Bhaskar, 1978; Harré, 1986; Lawson, 1997).

critiquing discovery discourse for the wrong reasons. Discovery researchers would not be realists from a realist philosopher of science's standpoint. Far from that, they would be liable for adhering to the narrowest possible sense of reality, thus committing the very fallacies animating the realist reaction.

Alvarez and Barney's conception of the realist theory of meaning is evident in their thesis that critical realism "asserts that a scientific proposition is meaningful if and only if its elements can be empirically examined using objective data" (2013: 155). Let us identify the true philosophical identity of this doctrine and, in doing so, further protect realist philosophy from relevant misconceptions.

The cited doctrine is by no means realist but essentially reflects a fairly obsolete theory of meaning—reminiscent of the semantics maintained by the logical empiricists of the Vienna Circle (Ayer, 1959), or the young Wittgenstein (1922). To briefly unpack this, the logical empiricism of the early twentieth century was, in essence, a projection of the skepticism of empiricist philosophers of the eighteenth century at the level of semantics. If early empiricist skepticism was of the type "How do we know that what exceeds observation truly exists?" logical empiricists took skepticism a step further, to wonder, "How may statements whose content has not been directly acquired by observational data even be *candidate* references to existence?" The underlying idea was that not only do we lack knowledge of the unobserved but we even more fundamentally do not know what we are talking about when "referring" to some unobservable realm of "existence." Needless to say, not only is this doctrine anything but realist but it is actually an extreme expression of a material-based form of empiricist skepticism and hardly popular even among contemporary empiricists.

Last, implicit in Alvarez and Barney's understanding of meaningfulness is a fairly demanding epistemological criterion of existence. In grounding their skepticism pertaining to the possibility of saying that something exists and without being in direct contact with the object of existence ("opportunity"), they imply that realism bans from the realm of the knowable anything that transcends immediate observation. And on this understanding they further move to critique discovery theory for its perceived fail-

ure to be consistent with the dictates of its realist underpinnings. As they put it, "According to critical realism, making propositions about the existence of opportunities that have yet to be observed and measured is not an empirically meaningful exercise" (Alvarez & Barney, 2013: 155).

Had realism truly maintained so, Alvarez and Barney's critique would be sound. But a central motivation of realist philosophers of science is the protection of claims of being against what they take to be overly stringent criteria of knowledge. Thus, not only is Alvarez and Barney's presentation of realist philosophy of science incorrect but, as a matter of fact, realism *shields* discovery theory from what they suppose to be threatening its internal consistency. For just as realists acknowledge the existence of electrons, and despite the fact that they are taken to exist independently from our direct knowledge of them, there is no reason a realist philosophy of science would exclude notions of existence on the grounds that we lack immediate perception of postulated entities.

In closing, we applaud Alvarez and Barney's intuition that the assimilation of philosophy of science insights is necessary for the scientific progress of entrepreneurship. But we add the strong caveat that this laudatory and admittedly demanding goal may only be fulfilled with a more studious and patient engagement with germane philosophical discourses.

REFERENCES

- Alvarez, S. A., & Barney, J. B. 2007. Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, 1: 11–26.
- Alvarez, S. A., & Barney, J. B. 2010. Entrepreneurship and epistemology: The philosophical underpinnings of the study of entrepreneurial opportunities. *Academy of Management Annals*, 4: 557–583.
- Alvarez, S. A., & Barney, J. 2013. Epistemology, opportunities, and entrepreneurship: Comments on Venkataraman et al. (2012) and Shane (2012). *Academy of Management Review*, 38: 154–157.
- Ayer, A. J. 1959. *Logical positivism*. New York: Free Press.
- Bhaskar, R. 1978. *A realist theory of science*. Sussex, UK: Harvester Press.
- Eckhardt, J. T., & Shane, S. A. 2013. Response to the commentaries: The individual-opportunity (IO) nexus integrates objective and subjective aspects of entrepreneurship. *Academy of Management Review*, 38: 160–163.

- Fleetwood, S. 2005. Ontology in organization and management studies: A critical realist perspective. *Organization*, 12: 197–222.
- Harré, R. 1986. *Varieties of realism*. Oxford: Blackwell.
- Lawson, T. 1997. *Economics and reality*. London: Routledge.
- Lawson, T. 2009. *Ontology and economics: Tony Lawson and his critics*. London: Routledge.
- Roscoe, P., Cruz, A. D., & Howorth, C. 2013. How does an old firm learn new tricks? A material account of entrepreneurial opportunity. *Business History*, 55: 53–72.
- Runde, J. 1999. On Popper, probabilities and propensities. In S. Fleetwood (Ed.), *Critical realism in economics: Development and debate*: 63–82. London: Routledge.
- Searle, J. R. 1995. *The construction of social reality*. London: Penguin.
- Shane, S. 2012. Reflections on the 2010 AMR Decade Award: Delivering on the promise of entrepreneurship as a field of research. *Academy of Management Review*, 37: 10–20.
- Shane, S., & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25: 217–226.
- Venkataraman, S., Sarasvathy, S. D., Dew, N., & Forster, W. R. 2012. Reflections on the 2010 AMR Decade Award: Whither the promise? Moving forward with entrepreneurship as a science of the artificial. *Academy of Management Review*, 37: 21–33.
- Wittgenstein, L. 1922. *Tractatus logico-philosophicus*. London: Routledge & Kegan Paul.

Stratos Ramoglou (e.ramoglou@cantab.net)
University of Cambridge

<http://dx.doi.org/10.5465/amr.2012.0371>