So What IS an Entrepreneurial Opportunity?

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Abstract: Recent attempts to delineate the domain of entrepreneurship as a distinctive academic and scientific endeavor have focused on the process of opportunity identification and creation as the nucleus (Gaglio, 1997; Kirzner, 1979; Shane & Venkataraman, 2000). Consequently, the number of studies examining this phenomenon is growing (Ardichvildi, Cardozo & Ray, 2003; Busenitz, 1996; Hills & Shrader, 1998; Kaish & Gilad, 1991; Kehn, Foo & Lim, 2002; McCline, Bhat & Baj, 2000; Singh, Hills & Lumpkin, 1999). The discipline’s interest in opportunity identification and creation has arisen precisely because of its potential as a unique point of difference, something entrepreneurs do while non-entrepreneurs do rarely, if at all. However, it is readily evident that every business and every business person pursues opportunities every day – if only the opportunity to make money or earn profits. If all business activity depends on identifying and pursuing opportunities, then what is so special about the domain of entrepreneurship?

Some scholars (Kirzner, 1979, 1985) argue that entrepreneurs are the first to identify and pursue new business opportunities which, if successful, non-entrepreneurs then imitate. Other scholars (Gartner, 2001; Timmons, Muzyka, Stevenson & Bygrave, 1987) maintain that the point of difference can be found in the way entrepreneurs pursue business opportunities, that is, through the act of venture creation. Still others (Gaglio & Katz, 2001; Schumpeter, 1934; Shane & Venkataraman, 2000) assert that the distinction lies in the kind of business opportunities created and pursued; that is, entrepreneurs identify and pursue business opportunities that a society or industry deems innovative or radical.

In making the claim that entrepreneurship is a distinctive domain, the burden of proof resides with those making the claim. This is a challenge the discipline has failed to meet before, most notably when claiming that entrepreneurs have distinctive personalities or other important individual differences. However, several psychologists (Carsrud & Johnson, 1989; Shaver & Scott, 1991) note that the discipline’s failure to find empirical evidence of a distinctive psychology may be the result of flawed research methods rather than a genuine lack of difference. Specifically, the failure to use operational measures and samples that reflect the theoretical conceptualizations about entrepreneurs meant the theoretical predictions about significant differences were never really tested.

While empirical studies investigating entrepreneurial opportunity identification are few in number, it appears a similar trend is emerging. This pattern presents a serious threat to the development of research in this area as well as to the discipline’s claims of a distinctive domain and scholarly rigor. If opportunity identification and shaping are to form the foundation of the discipline rather than its latest fad, then scholars and empirical investigators must engage in the
process of constructing rigorous theoretical concepts as well as valid and reliable operational measures that capture the essential meaning of those concepts. Many in the discipline will argue that too little is known about entrepreneurship or about the opportunity identification process and therefore it is premature, perhaps even impossible, to require such rigor. The noted methodologist and statistician Blalock (1982, p. 9) cautions that accepting this point of view undoubtedly leads to failure:

. . . unless very careful attention is paid to one’s theoretical assumptions and conceptual apparatus, no array of statistical techniques will suffice. Nor can a series of ad hoc empirical studies produce truly cumulative knowledge except in the sense of producing dated and situation-specific findings of immediate practical significance. The basic message is that theoretical and methodological concerns must go hand in hand. Progress in one area without similar advances in the other cannot be more than minimal.

Shane and Venkataramen (2000, p.218) have already expressed concern that entrepreneurship faces the danger of becoming a “research setting” or a “teaching application” unless scholars are able to carve out and develop the distinctive domain of opportunity identification and shaping.

The purpose of this chapter is to promote theoretical and methodological rigor in the area of opportunity research by exploring the issues and implications involved in defining the core concept. Specifically, the two major conceptualizations of entrepreneurial opportunity, (way of pursuit and kind of opportunity) are examined in depth, with special attention given to whether it facilitates the empirical investigation of opportunity identification and shaping as a distinctly entrepreneurial phenomenon.