Why Are Some People Behaving or Acting Entrepreneurially More Than Others? — Looking at Opportunities as Part of Entrepreneurial Behavior or Action in More than One Way

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Abstract: It is a common statement that in order to be a successful entrepreneur, you need to identify and exploit an opportunity. However, we find it necessary, in order to get a more comprehensive view of the entrepreneurial phenomenon to approach this topic more broadly. We also think that formulating the fundamental research question in the field of entrepreneurship as “Why are some people behaving or acting entrepreneurially more than others?” to be more adequate, inclusive and progressive.

Key words: opportunity recognition; entrepreneurship behavior; entrepreneurial acts
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1. Entrepreneurship and Managing Opportunities

When discussing entrepreneurs in research, they are most of the time seen as operating in a market and being associated with business. Also, three things often seem to be taken for granted in such discussions:

(1) Talking about growth as something related to entrepreneurial success (Coulter, 2001; Wickham, 2006; Allen, 2010).

(2) Looking at opportunity recognition as a necessary, distinctive and fundamental entrepreneurial characteristic (Gaglio, 1997; Kirzner, 1979; Stevenson and Jarillo, 1990; Venkataraman, 1997)

(3) Viewing entrepreneurship as a (special) kind of management (Drucker, 1985; Stevenson and Jarillo, 1990; Wickham, 2006).

Wickham (2006, p. 16) claims that he can say with confidence that an entrepreneur is a manager, that is, somebody who manages in an entrepreneurial way. Entrepreneurial management, as he sees it, is characterized by three features: a focus on change, a focus on opportunity and organization-wide management. Drucker (1985, p. 131) suggests that no matter where entrepreneurship is happening in a society, the rules governing it are pretty much the same, the things that work and those that do not are pretty much the same, and so are the kinds of innovation and where to look for them. He claims that in every case there is a discipline that can be called entrepreneurial management. Further:
Unless a new venture develops into a business and makes sure of being “managed”, it will not survive no matter how brilliant the entrepreneurial idea, how much money it attracts, how good its products, nor even how great the demand for them. (Drucker, 1985, p. 172)

Along the same line is the view that successful entrepreneurship starts by coming up with a good business plan. Entrepreneurship is commonly defined as the process by which individuals purposefully and consciously pursue opportunities without regard to resources they currently control (Stevenson and Jarillo, 1990). The essence of entrepreneurship behavior is in such a view seen as identifying opportunities and putting useful ideas into action (Ireland et al., 2003).

According to Gaglio and Katz (2001, p. 95), “understanding the opportunity identification process represents one of the core intellectual questions for the domain of entrepreneurship”. Mariotti and Glackin (2010, p. 13) assert that there is a simple definition of “entrepreneur” that captures the essentials: “An entrepreneur recognizes opportunities where other people see only problems”. According to Baron and Shane (2008, p. 5), entrepreneurship involves the key actions of identifying an opportunity that is potentially valuable in the sense that it can be exploited in practical business terms and yield sustainable profits.

The entrepreneur always searches for change, responds to it, and exploits it as an opportunity. (Drucker, 1985, p. 25)

Kirzner (1979) asserts that the mentality of entrepreneurs differs because they are driven by entrepreneurial alertness, which he suggests is a distinctive set of perceptual and cognitive processing skills that directs the opportunity recognition process.

An opportunity is seen by Barringer and Ireland (2006, p. 28) as “a favorable set of circumstances that creates a need for a new product, service, or business”. Coulter (2001, p. 53) sees opportunities as “positive external environment trends or changes that provide unique and distinct possibilities for innovating and creating value”.

The opportunities themselves often emerge from changes in economic, technological, governmental, and social factors. When entrepreneurs notice links or connections between these changes, ideas for new ventures may quickly follow. (Baron and Shane, 2008, p. 13)

Timmons (1999) defines a business opportunity as an idea, plus four characteristics:

1. It is attractive to customers.
2. It will work in your business environment.
3. It can be executed in the window of opportunity (which is the amount of time you have to get your business idea to the market) that exists.
4. You have the resources and skills to create the business or you know someone who does and who might want to form a business with you.

Opportunities are often seen as noticeable circumstances. Such circumstances may be (Mariotti and Glackin, 2010, p. 16):

1. Problems that your business can solve.
2. Changes in laws, situations or trends.
3. Inventions of totally new products or services.
4. Competition. If you can find a way to beat the competition on price, location, quality, reputation, reliability or speed, you may create a very successful business with an existing product or service.
5. Technological advances. Scientists may invent new technology, but entrepreneurs figure out how to use
and sell new products based on it.

Opportunities are claimed to generally arise from two major sources — the information people have that helps them to notice new business opportunities, and changes in the external world that generate opportunities (Baron and Shane, 2008, p. 39). According to one economist, Ács (2002, p. 12), opportunities for discovering or creating goods and services in the future exist precisely because of the dispersion of information. This dispersion creates the opportunity in the first place. Second, the very same dispersion presents hurdles for exploiting the opportunity profitably, because of the absence or failure of current markets for future goods and services. It is therefore, according to Ács (ibid.) necessary to understand, (1) how opportunities for the creation of new goods and services arise in a market economy, and (2) how and in what ways individual differences determine whether hurdles in the discovering, creating and exploiting opportunities are overcome.

There has been a debate in the field of entrepreneurship whether opportunities exist in the external world or are created by human minds (see, for instance, Forbes, 2005). Baron and Shane (2008, p. 84) believe that there is no basis for controversy over this issue. Opportunities, according to them, as potentials, come into existence in the external world as a result of changes in conditions in the society. However, they remain merely potentials until they are recognized by somebody’s perceptual and cognitive skills. In a sense, therefore, according to these two authors, opportunities both exist “out there” and are a creation of human thought. Maybe a solution to whether opportunities are there to be discovered or created could be to talk about opportunity formation. Hjorth and Johannisson (2003) refer to this process as “articulation”.

An alternative model in the factual tradition (we will be back to the term “factual” versus “hermeneutic” and “phenomenological” later in this article) is called effectuation and it considers entrepreneurship as a series of decisions such as how and whom to hire for an entrepreneurial team to come (Sarasvathy, 2001; Sarasvathy et al., 2003). A key principle of effectuation is that an entrepreneur does not begin with a precise venture in mind, but with a set of means that can be used to address a possibly good business opportunity or an ambition. Means are idiosyncratic to the entrepreneur and encompass his or her skills, resources and people who can help in addressing the area of interest.

Now to our critical question: How useful is it to look at recognizing and exploiting opportunities as necessary for entrepreneurs to succeed? We think it is possible to make two solid comments in answering this question:

(1) The highly recognized Global Entrepreneurship Monitor studies on the variation of entrepreneurship inclination across countries have come to the conclusion (for instance, Bosma and Harding, 2007), that early-stage entrepreneurship is more likely to be necessity-based in middle or low-income countries, where entrepreneurship in many cases may be the only option for making a living, than opportunity-driven which is the case in high-income countries.

(2) A more serious criticism against the usefulness of looking at opportunity recognition and exploitation as a necessary entrepreneurial characteristic is probably that the success of that type of research which is trying to promote this skill as a primary and necessary entrepreneurial quality is judged by its ability to make a forecast. We think it is possible to look at opportunity recognition and exploitation as a variable in a model of factual entrepreneurial behavior, but that is most of the time after the fact and this is often not a very adequate explanation for what has actually been going on. To claim that opportunity recognition and exploitation is a necessary requirement to succeed as an entrepreneur (logically related to having a good business plan, aiming for growth and having the skills of a good manager) before you go for a business start-up, we simply find very
doubtful, in practice as well as in theory. One study in the factual tradition (Gartner and Carter, 2003) even claims that the desire to start a business more often than not comes before looking for a business opportunity.

Other research traditions than the factual one provide very different pictures of the role opportunities play in the entrepreneurial process. To see how, let us briefly discuss three topics:

1. Behavior versus action
2. Research in order to explain versus in order to understand
3. Various research traditions from a theory of science point of view

2. Behavior and Action

If a human being is abstracted according to the definition of behavior it is seen as observable, that is, it can be perceived as empirical (as factual). In classic behaviorism (Watson, 1970), we are neglecting all non-observable aspects of this activity, because it is necessary then to explain what is going on using (observable) “stimuli” and (observable) “responses”. Every object in the physical environment is then representing a potential “stimulus” and an object is described as a “stimulus” the moment it leads to a behavioral reaction. Along this line, “business opportunity” can be seen as a stimulus and “entrepreneurship” as a response.

Theories of cognitive behavior constitute a development of classic behaviourism, as behavior is then no longer described solely in terms of stimulus and response. “Stimuli” is here conveyed via elements such as reflection, cognition and consciousness and not until then seen as relevant to explaining behavior. The cognitive (motives, needs, attitudes, level of aspiration, etc.) is seen as something of a perceptual filter for “stimuli”. Stimuli, in turn, are now described in terms of information. Within these theoretical terms, human behavior is explained as responses to stimuli, which are chosen selectively and which go through cognitive processes and become information. We see theories of effectuation, mentioned earlier, as models of cognitive behavior.

From an “action” perspective things look different. Action can generally be defined as a reflecting and intentional activity: a “freely” performed activity. An action can be defined in its simplest form as “intentionally effecting or preventing a change in the world” (von Wright, 1971, p. 83).

The basic orientation using a behavioral set of theories when analyzing entrepreneurship is to look at circumstances as causes. In this view, entrepreneurs live in a world full of circumstances, so to say. People react in a more or less deterministic fashion and they are fixed more or less involuntarily. Those who represent this behavioral orientation in its developed cognitive version observe that subjective perception of the environment sometimes diverts from “objective” facts. But they go no further. Reasons behind different subjective perceptions and their effect on different kinds of behavior are not studied closer.

From an action point of view, entrepreneurs are living in a world full of meaning. This means a distinctly different way to look at entrepreneurship and at entrepreneurs.

It seems to be so that behavior is associated with explanation and action with understanding. We see hermeneutic and phenomenological ways of looking at entrepreneurship, which will be explored shortly, as examples of looking at entrepreneurship as acting in a world full of meaning.

3. Research in Order to Explain and in Order to Understand

Since the inception of the disciplines of social science, lines of controversy have been drawn between those
who do and those who do not make a principal distinction between two presumed alternative modes of thought, in
the beginning represented by natural sciences and social sciences. Theorists rejecting any fundamental distinction
between those modes have traditionally been called positiveists. We may call them researchers interested in
explaining. They assume that the methods which have proved their unparalleled value in the analysis of the
physical world are applicable to the materials of social sciences, and that while these methods may have to be
adapted to a special subject matter, the logic of explanation in physical and social sciences is the same. Theorists
who draw a distinction between “understanding” and “explaining” can be labelled anti-positiveist. We may call
them researchers interested in understanding. The critical element in anti-positiveism is the insistence that the
methods of physical sciences, however modified, are intrinsically inadequate to the subject matter of social
sciences; in the physical world knowledge is external and empirical, while social sciences are concerned with
interpretations and with various kinds of experience.

Generally we can say that natural sciences require concepts which permit the formation of testable laws and
theories. Other issues, for instance, those deriving from ordinary language, are of less interest. But in the social
sciences another set of considerations exists as well: the concepts used to describe, explain and/or understand
human activity must be drawn at least in part from the social life being studied, not only from the scientists’
theories (Fay, 1996). Scientific concepts then bear a fundamentally different relationship to social phenomena
from that which they bear to natural phenomena. In social sciences, concepts partially constitute the reality being
studied, in relation to natural phenomena concepts merely serve to describe and explain (ibid.).

It is possible to explain human behavior. We do not try to understand an area of low pressure because it has no meaning.
On the other hand, we try to understand human beings because they are of the same kind as we are. (Liedman, 2002, p. 280;
our translation)

No one claims today that only natural sciences should aim for explanations and that only social sciences
should aim for understanding. In practice, both attempts are made in the two scientific areas.

Thus, researchers interested in explaining:

• look for factual (objective and/or subjective) data and use a depicting language
• want to find cause-effect relationships
• build models

Researchers interested in understanding:

• deny that factual and depicting data exist (at least in the human world)
• want to look for actors’ view on meaning, importance and significance and use a constituting and forming
(even performing) language
• come up with interpretations

In this, models are deliberately simplified pictures of factual reality; and interpretations are deliberately
problematic pictures of socially constructed reality. It is natural for explaining-oriented researchers to build
models and for understanding-oriented researchers to come up with interpretations! An interpretation is a
theory-laden observation (Rose, 1980, p. 125). It seems to be so that some type of research is more suitable to
explain behaviour and some other type of research is more suitable to understand action. This is related to
different scientific traditions.
4. Factual, Hermeneutic and Phenomenological Research

In general, we see (at least) three traditions for researching behavior and/or action:

(1) A factual tradition. This tradition is based on the belief that there is a world full of circumstances in which we live. These circumstances are objective and/or subjective facts. Research under such presumptions is trying to find a set of circumstances, which is more likely than any other set to explain (and in its extension to forecast) a specific outcome. A formal setup of such sets of circumstances with their outcome is called a model. Traditional analytical research and classic structuralism belong to this tradition (Arnbor and Bjerke, 2009).

(2) A hermeneutic tradition. This tradition is still interested in the particularity of situations, but only as instances of more general underlying social processes. These processes become part of somebody as an interpretation, when he or she attempts to understand them. Marxists, feminists and post-structuralists might belong to this tradition. Looking at social constructions as combinations of activities means to understand them as instances of wider processes of the construction in general under conditions of, for instance, capitalism, patriarchy, heterosexism, post-colonialism and a host of other possible conditions (Anderson, 1991; Clayton, 2000; Forest, 1995; Till, 1993).

(3) A phenomenological tradition. This tradition is not particularly interested in the attributes of situations nor is it primarily concerned with the kinds of social forces that are involved in the construction of such situations. Rather it seeks to understand (come up with an interpretation of) the essence of human existence in experienced situations, that is being necessarily and importantly positioned “in-time” and “in-place”. Humanistic geographers, neo-humanists and phenomenological philosophers, for instance, all belong to this tradition (Sack, 1997; Malpas, 1999; Casey, 1998, Tuan, 1974).

5. Explaining Entrepreneurial Behavior by Circumstances

Trying to explain entrepreneurial behavior by circumstances is one possible outcome of the factual research tradition. This tradition is also the only one of those three brought up in this article that believes in the possibility to discuss a picture of reality in terms of other things being equal (“ceteris paribus”). This makes it possible to claim that opportunity recognition is a fundamental entrepreneurial characteristic, other things being equal.

Two other aspects on the issue of associating entrepreneurial skills with recognizing and exploiting opportunities in the factual research tradition are worth mentioning:

- Opportunity recognition could in an explanatory model be placed as an intervening variable between any behavioral characteristic and entrepreneurialism. For instance, being raised in a self-employed family leads people to be more interested in finding entrepreneurial opportunities, which in turn may explain why they are more inclined to start a business. We have also seen earlier in this article that the desire to start a business more often than not comes before searching for opportunities.

- There are possibilities to combine several explanatory variables, of which “opportunity recognition” is one. Such other explanatory variable may be ethnic belonging, just having finished an education or being an immigrant. The explanatory power of a model combining several explanatory variables then becomes stronger in its predictability.

Most entrepreneurship research could probably be described as belonging to the factual research tradition.
6. Understanding Entrepreneurial Action Hermeneutically

One way to understand entrepreneurship hermeneutically is to do it by sense-making. Sense-making can be conceptualized as a reciprocal interaction of information-seeking and meaning-construction with action. Created meaning influences action. Reciprocally, action influences the meaning you give to an action. One may conceptualize action as meaningful behavior (Sanner, 1997, p. 38). Sense-making can provide special insights into uncertain and ambiguous situations, for instance, when taking on a new and innovative activity related to an entrepreneurial venture. It is important for an entrepreneur to pursue opportunities, not being restricted by any fixed ideas or definitions of what the business is all about. The environment can be acted upon in order to widen the opportunities for the business venture and in order to include other actors. A broad network widens the environment through social constructions and then enlarges the room to act. Developing a problem into an opportunity can be achieved through entrepreneurial sense-making of reality (Sanner, 1997).

Sense-making, however, is more than a process of recalling existing interpretative schemes or playing out old narratives. If that were true, no new learning could take place (Gioia, 1986). Instead, sense-making and construction of meaning involve associating new experience with existing knowledge, sometimes modifying existing schemes and narratives to incorporate new knowledge and also, even if infrequently, dramatically restructuring existing knowledge or creating new knowledge by using intuition and revelation (Bartunek, 1984). Such restructuring may lead to creating an opportunity.

A second way to understand entrepreneurial action hermeneutically is to do it through culture. Culture is an important term in hermeneutics. A culture that includes running a business as a positive value may certainly condition a person to look for and find business opportunities.

A third way to understand entrepreneurial action hermeneutically is through language (which in turn is very much associated with culture; language can be seen as a mirror of culture). Think about language as reality. To work symbolically through language and thereby transcend our biological limits is a hallmark of humanity and can even be counted as the most significant feature of a human being. Our acts are not only controlled by our intentions, but acts as well as intentions are controlled by the language we use. Genuinely new problems require genuinely new solutions. We do not find these genuinely new solutions if we do not have the appropriate language for it (Bjerke, 2007, p. 106). It should be possible to say that if an entrepreneur to come has the concept “business opportunity” as part of his/her vocabulary, he/she is more likely to find one.

Using the social constructionist approach could, depending on which variation on that approach is used, be applied to study entrepreneurial action either hermeneutically or phenomenologically. When applying a constructionist approach, this does not mean that opportunity formation is an activity that occurs because of special cognitive processing capabilities occurring “inside” the person as implied in the opportunity formation models either according to the rational view or the effectuation view. It is possible to argue that the formation of a business idea is as much a relational one in which the entrepreneurs are constantly relating to things around them as anything else (Bouwen, 2001).

7. Understanding Entrepreneurial Action Phenomenologically

Let us provide two examples of studying entrepreneurial action phenomenology:

(1) Depleted communities (Johnstone and Lionais, 2004).
(2) Entrepreneurs as history makers (Spinosa et al., 1997).

Community based entrepreneurs can play a decisive role for depleted communities according to Johnstone and Lionais (2004). They use the term “depleted community” to better understand the problems of communities affected by downturns in the local economy. To them, depleted communities are manifestations of uneven development. However, to Johnstone and Lionais (2004) depleted communities are more than simply locations that lack growth mechanisms. They are also areas to which people retain an attachment. The process of community business entrepreneurship trying to save depleted communities is neither entrepreneurship in the traditional business sense nor social entrepreneurship as commonly understood in the literature. It employs the tools of the former with the goals of the latter.

Whether entrepreneurs, who act to save their depleted communities could be seen in terms of ‘recognizing and exploiting opportunities’ is certainly questionable!

Another attempt to understand entrepreneurs phenomenologically is devised by Spinosa et al. (1997). We occasionally experience anomalies or disharmonies in our lives. Most of us merely note such situations. But there are those, including entrepreneurs, who act when faced with such disharmonies, thus disclosing a new reality for the rest of us. By doing so, they change the way something in society is done — what Spinosa et al. (1997) calls the “style”.

Spinosa et al. (1997) claim that entrepreneurship is human activity at its best (p. 66). In the terminology of Spinosa et al. (1997), an entrepreneur may look at an experienced anomaly as an opportunity.

Phenomenological methods can serve as a powerful tool for exploring and enriching received theoretical constructs such as risks and opportunities, by investigating how entrepreneurs interpret and enact them in a directed way as intentionality (Berglund and Hellström, 2002).

8. Summary and Conclusion

We were intrigued by the common claim that entrepreneurial success stands and falls with finding a business opportunity. We wanted to find out more about this statement, to what extent it is valid or not. There is, for instance, a discussion going on whether an opportunity exists to be discovered or whether it has to be created. But to stop our search by coming to a conclusion as far as this last issue is concerned was not enough for us. We wanted to penetrate the whole thing about entrepreneurs and business opportunities further.

By first briefly discuss the questions of behavior and action and of conducting research in order to explain and in order to understand, we summarized three research traditions, which are the factual tradition, the hermeneutic tradition and the phenomenological tradition. We then suggested, that the statement “the start of an entrepreneurial venture is to find an opportunity” is of significant value only in the first of these traditions. And that statement is not generally valid even within that tradition! And in the two other traditions, if stated alone and in isolation, the statement becomes doubtful, indeed, or at least too restricted and narrow. In the research tradition of hermeneutics, theories of sense-making can broaden the understanding of a situation such, that a problem can be developed into an opportunity. In the same tradition, finding and exploiting opportunities can be a play-out of a narrative, be “natural” in a specific culture and/or be part of somebody’s vocabulary. In the research tradition of phenomenology, it could be very questionable, for instance, whether the action of a community based entrepreneurs to “save” his or her depleted community could be seen as a business opportunity. However, in the version of history-making as presented by Spinosa et al. (1997), an entrepreneur may look at an experienced anomaly as an opportunity.

There is certainly more than one way to look at opportunities as part of entrepreneurial behavior or action!
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