

research. Editors and reviewers share a responsibility with authors in ensuring that this does not happen. The entry of scholars from other disciplines into the field of entrepreneurship can enrich the quality of future research. Erecting barriers to entry can only stifle innovative thinking and the development of the field of entrepreneurship (Barney, 1990).

is and how to teach it: 62-76. Boston: Harvard Business School Press.

Shaker Zahra
Georgia State University

Gregory G. Dess
University of Kentucky

REFERENCES

- Barney, J. 1990. The debate between traditional management theory and organizational economics: Substantive differences or intergroup conflict? *Academy of Management Review*, 8: 382-393.
- Dixit, A. K., & Pindyck, R. S. 1994. *Investment under uncertainty*. Princeton, NJ: Princeton University Press.
- Fukuyama, F. 1995. *Trust: The social virtues and the creation of prosperity*. New York: Free Press.
- Grenadier, S. R., & Weiss, A. M. 1997. Investment in technological innovations: An option pricing approach. *Journal of Financial Economics*, 44: 397-416.
- Hitt, M., & Ireland, R. D. 2000. The intersection of entrepreneurship and strategic management research. In D. L. Sexton & H. Landström (Eds.), *The Blackwell handbook of entrepreneurship*: 45-63. Oxford: Blackwell.
- Jacobson, R. 1992. The "Austrian" school of strategy. *Academy of Management Review*, 17: 782-807.
- Jemison, D. B. 1981. The importance of an integrative approach to strategic management. *Academy of Management Review*, 6: 601-608.
- Kanter, R. M. 1988. *When giants learn to dance*. New York: Simon and Schuster.
- Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3: 383-397.
- McGrath, R. G. 1999. Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management Review*, 24: 13-30.
- Meyer, A. 1991. What is strategy's distinctive competence? *Journal of Management*, 17: 821-833.
- Rumelt, R. P. 1987. Theory, strategy, and entrepreneurship. In D. J. Teece (Ed.), *The competitive challenge: Strategies for industrial innovation and renewal*: 137-158. Cambridge, MA: Ballinger.
- Schumpeter, J. 1934. *The theory of economic development*. Cambridge: MA: Harvard University Press.
- Shane, S., & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25: 217-226.
- Stevenson, H. H., & Jarillo, J. C. 1990. A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, 11: 17-27.
- Vesper, K. H. 1985. A new direction or just a new label. In J. J. Kao & H. H. Stevenson (Eds.), *Entrepreneurship: What it*

A Comment on Developing the Field of Entrepreneurship Through the Study of Opportunity Recognition and Exploitation

As Shane and Venkataraman (2000) point out, entrepreneurship research has been criticized in the past as having breadth but little depth. In much of the extant research, scholars have drawn from theories and frameworks from other fields, such as economics, psychology, marketing, and strategy; however, without clear boundaries and/or unique variables, entrepreneurship cannot develop into a separate field. Shane and Venkataraman (2000) go on to make a compelling argument that entrepreneurial opportunity recognition and exploitation are constructs that fall squarely within the unique domain of entrepreneurship and should be the focus of research in the field. While I agree with the thrust of the paper, I continue to ponder a critical question: What are entrepreneurial opportunities?

The authors use Casson's (1982) definition of entrepreneurial opportunities as "those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production" (2000: 220). By definition, this requires that entrepreneurial opportunities generate profit. This puts researchers in a precarious position when examining the most lucrative entrepreneurial opportunities in the marketplace today: internet startups. Many of these businesses turn their founders into millionaires while losing significant amounts of money. For those firms that never turn a profit, if we are to use the above definition, we must assume that no opportunity existed for the founding entrepreneurs.

Definitions of entrepreneurial opportunities within the literature should be scrutinized. For example, Timmons argues that an opportunity "has the qualities of being attractive, durable, and timely and is anchored in a product or ser-

vice which creates or adds value for its buyer or end user" (1994: 87). The very use of the terms *attractive, durable, timely, and window of opportunity* can only be applied post hoc, after the first movers (1) have developed a market and there is some data to support future opportunities or (2) have become successful. To illustrate the problem for entrepreneurship researchers, it is unclear how the prefounding concept for Federal Express (now FedEx) would fit into the above definitions of opportunity. Before Fred Smith founded FedEx, executives at UPS, Emery Air Freight, and the U.S. Postal Service had considered the idea but had rejected it because they perceived no market need for the service (Collins & Lazier, 1992). In fact, Smith recognized an opportunity and wrote a business plan as an MBA class paper. He received a C in the class because his professor felt it was not feasible, although the plan was well written. His professor and potential competitors determined that Smith's idea was not an opportunity; today, however, we know that it was a great opportunity.

For opportunity to exist and be a construct capable of examination, it must be identifiable before the venture is founded and success gained. For any type of predictive theoretical model or longitudinal study, entrepreneurship researchers cannot rely on 20/20 hindsight to discuss entrepreneurial opportunities post hoc. The use of retrospective case studies or archival data for empirical studies of entrepreneurship over time is problematic, because bias can result when outcomes are known. The problem with current conceptions of opportunity is that other constructs and confounding variables are intertwined with the opportunity construct (e.g., success, profitability, resources controlled). Researchers should not limit study to what they perceive to be "good" opportunities, because the entrepreneur's perceived reality of what constitutes an opportunity may be difficult to assess, particularly with respect to highly innovative new venture concepts. In such cases there is no direct historical data from which to make financial projections or to estimate potential market size, because the market has not been established. This makes it difficult to evaluate the economic potential for such opportunities.

A related issue that needs to be raised is Shane and Venkataraman's (2000) discussion of entrepreneurial profit and loss. Once again re-

ferring to Casson (1982), the authors point out that when entrepreneurial opportunities are, in fact, opportunities and not incorrect conjecture, and they are acted upon, the entrepreneur will achieve a profit. If the conjecture is incorrect (i.e., the conjecture is not an entrepreneurial opportunity), there will be a loss. The authors also cite literature that suggests that most new firms fail because of overoptimism on the part of entrepreneurs with respect to their opportunities. While a would-be entrepreneur's perceived opportunity might not truly be an entrepreneurial opportunity, the authors fail to address the situation in which the conjecture could be correct but not acted upon correctly. Drucker (1985) points out that failures are rarely associated with opportunities and that researchers must recognize many firm failures occur *independently of opportunity*. Many failures are simply mistakes resulting from "greed, stupidity, thoughtless bandwagon-climbing, or incompetence whether in design or execution" (1985: 46). A researcher might be tempted to dismiss the idea as not being an opportunity when, in reality, other factors may have caused the failure.

The classic question with respect to entrepreneurship research has been "Who is an entrepreneur?" It could now be replaced with "What is an entrepreneurial opportunity?" My own view is that an entrepreneurial opportunity should be defined as a feasible, profit-seeking, potential venture that provides an innovative new product or service to the market, improves on an existing product/service, or imitates a profitable product/service in a less-than-saturated market (Singh, 2000). This definition is purposely broad and can be applied to entrepreneurial opportunities based on incremental market improvements, those that are highly innovative and create new markets, and everything in between. Being *feasible* means that the potential venture is possible (i.e., does not break the laws of physics), and the term *profit-seeking* allows us to define an entrepreneurial opportunity prior to venture founding and profitability.

To conclude, my purpose here is not to criticize Shane and Venkataraman but to bring attention to the serious definitional issues that remain with respect to entrepreneurial opportunities. Entrepreneurship scholars should debate the qualities of entrepreneurial opportunities and propose definitional frameworks; however, this debate could continue for years, just as the

"Who is an entrepreneur?" debate has. In order to move research forward, and until a clear consensus has been established on the definition of entrepreneurial opportunities, researchers must carefully define opportunity within their studies.

REFERENCES

- Casson, M. 1982. *The entrepreneur: An economic theory*. Totowa, NJ: Barnes & Noble.
- Collins, J. C., & Lazier, W. C. 1992. *Beyond entrepreneurship: Turning your business into an enduring great company*. Englewood Cliffs, NJ: Prentice-Hall.
- Drucker, P. F. 1985. *Innovation and entrepreneurship: Practice and principles*. New York: Harper & Row.
- Shane, S., & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25: 217-226.
- Singh, R. P. 2000. *Entrepreneurial opportunity recognition through social networks*. New York: Garland.
- Timmons, J. A. 1994. *New venture creation: Entrepreneurship for the 21st Century* (4th ed.). Burr Ridge, IL: Irwin.

Robert P. Singh
University of the Pacific



"The Promise of Entrepreneurship As a Field of Research": A Few Comments and Some Suggested Extensions

Shane and Venkataraman (2000) define entrepreneurship as the examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited. The authors develop a solid framework for analyzing perhaps the most important dimension of entrepreneurship. However, I must agree with Hornaday's (1992) statement that entrepreneurship cannot be described using only one dimension. I feel compelled, therefore, to add two additional dimensions that, in concert with the authors' dimension, would capture the very nature of entrepreneurship.

For example, Hornaday pinpoints that entrepreneurship is best understood as residing within a conceptual space bounded by three dimensions. He conceptualizes *economic innovation*, *organization creation*, and *profit seeking in the market sector* as the core dimensions of entrepreneurship. These are basically the *what*, *how*, and *where* of entrepreneurship.

However, I agree with the authors that entrepreneurship, in fact, does not require organization creation. The two other dimensions are nonetheless embedded in the authors' conceptualization.

I like the way Stevenson and Jarillo (1990) regard entrepreneurship. They consider it a behavioral phenomenon and an approach to management. They define entrepreneurship as "a process by which individuals—either on their own or inside organizations—pursue opportunities without regard to the resources they currently control" (1990: 23) and also distinguish between the *why*, *what*, and *how*. This conceptualization is in congruence with the proposal forwarded by Shane and Venkataraman. Nevertheless, the process and the resource dimensions referred to in the above definition, and also referred to by Shane and Venkataraman, are also a crucial part of entrepreneurship. Hence, a minimum of three dimensions captures the very nature of entrepreneurship. Nonetheless, the opportunity dimension is by far the most important one.

I would suggest a three-dimensional framework. The opportunity dimension and all its ingredients could be pictured along the X axis. The Y axis could represent a dimension including the literature on motivation, intention, goal setting, and commitment. For example, McClelland's (1961) seminal work on achievement motivation would rightfully fit into this axis. Likewise, Schumpeter's (1936) innovation or Casson's (1982) coordination of scarce resources could be pictured along the Z axis. The latter dimension could also be seen as a *broker-trustee* continuum.

Is it not the *complementary* effects of these three dimensions that constitute entrepreneurship? Is not the complimentary capacity to recognize opportunities, to coordinate (and combine) scarce resources, and to see ventures through to fruition at the very heart of entrepreneurship?

Not only would such a framework provide a useful tool for the analysis of entrepreneurial potential (and potential entrepreneurs), but it would also facilitate the development of tools to enhance individuals', teams', and/or organizations' complementary wealth creation capacities—their entrepreneurial capability or entrepreneurial capital, so to speak.