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Truls Erikson
Manchester Business School

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Entrepreneurship As a Field of Research: A Response to Zahra and Dess, Singh, and Erikson

We are pleased that our paper, "The Promise of Entrepreneurship As a Field of Research," has generated so much interest that our colleagues have submitted three dialogue pieces to *AMR*. These commentaries have given us the opportunity to see where other researchers agree and disagree with us, where we were unclear, and where we see the opportunity for extension. Therefore, we have taken up an offer from the editor to respond to the three commentaries. For the sake of brevity and clarity, we explore all three commentaries here but divide our responses by author.

Zahra and Dess. Zahra and Dess discuss five issues in their dialogue: (1) the lack of a unifying framework for entrepreneurship, (2) the relationship between entrepreneurship and strategic management, (3) the value of focusing on the outcomes of entrepreneurship, (4) reasons for studying entrepreneurship, and (5) the focus on individuals and opportunities. We respond to each of these issues in turn.

In their first point Zahra and Dess interpret our concern about the lack of a conceptual framework for entrepreneurship as a call to build barriers between the fields of entrepreneurship and strategic management. We believe that this view is a misinterpretation of our goal. Despite Zahra and Dess's statements to the contrary, we have no particular interest in building walls between entrepreneurship and strategic management. Rather, we believe that those in the field of entrepreneurship need to build their own conceptual framework—one that is different from those of all other fields, be they organizational behavior, finance, operations management, accounting, sociology, economics, physics, biology, or strategic management. Moreover, we believe that entrepreneurship researchers should learn the theories and methodologies of strategic management and borrow from them when appropriate. However, we disagree with Zahra and Dess's suggestion that entrepreneurship should be integrated into strategic management. Such integration would hinder the ability of those in the field to draw upon other fields and would subject entrepreneurship researchers to pressure to focus on the central questions of strategy, rather than the central questions of entrepreneurship.

Second, Zahra and Dess take issue with our criticism of "the focus in the entrepreneurship literature on the relative performance of individuals or firms in the context of small or new businesses" (Shane & Venkataraman, 2000: 217). We argue that this has led entrepreneurship researchers to focus too much attention on the central questions of the field of strategic management. Although we have no objection per se to the exploration of the relative performance of small or new businesses, we wonder why the field of entrepreneurship should exist if the field of strategy already explores this question. Rather, we suggest that entrepreneurship scholars focus attention on the central questions of entrepreneurship: "(1) why, when, and how opportunities for the creation of goods and services come into existence; (2) why, when, and how some people and not others discover and exploit these opportunities; and (3) why, when, and how different modes of action are used to exploit entrepreneurial opportunities" (Shane & Venkataraman, 2000: 218).

In their third point Zahra and Dess state that the "outcomes" of exploiting entrepreneurial opportunities should be added to the definition of the domain of the field. We have no qualms about adding outcomes of exploiting opportunities to the domain of the field. However, we believe that, as strategy scholars, Zahra and

Dess have defined outcomes of entrepreneurship far too narrowly. We suggest that not only should outcomes for entrepreneurs or firms be included as they suggest but that outcomes for industries and societies should be considered as well.

In their fourth point Zahra and Dess offer a reason for studying entrepreneurship, in addition to those we provide. They suggest that researchers should study entrepreneurship to understand the development of human capital. We agree.

Fifth, Zahra and Dess state that they are puzzled by our argument that our framework differs from previous frameworks in our examination of "individuals and opportunities, rather than environmental antecedents and consequences" (Shane & Venkataraman, 2000: 219). They state that "recognizing the environmental forces can improve future theory building and testing of the effect of different entrepreneurial activities on value creation in new firms and established organizations" (p. 9). We would like to clarify that we do not recommend that researchers ignore environmental forces and their impact on entrepreneurship. Rather, we argue that individuals and opportunities are the first-order forces explaining entrepreneurship and that environmental forces are second order. While environmental forces might moderate the effects of individuals and opportunities, they alone cannot explain it. Therefore, we believe that, to explain entrepreneurship, researchers should focus attention on individuals and opportunities.

Zahra and Dess conclude their dialogue by arguing that it is important to integrate and synthesize strategic management and entrepreneurship. We disagree. Like Zahra and Dess, we believe that the field of entrepreneurship should attract scholars from other fields, including strategic management, and that entrepreneurship scholars can learn from theories and methodologies employed in other fields, including strategic management. However, we believe that integrating entrepreneurship with strategic management is not the solution to the development of the field of entrepreneurship any more than integrating strategic management and economics was the solution to the development of the field of strategy. In addition to the obvious point of why entrepreneurship should be integrated with strategic management, rather than with economics, sociology, psychology, finance, technology management, organizational behavior, or human resource management, the idea of integration raises a fundamental question: If strategic management has the answers to the fundamental questions of entrepreneurship, why haven't those answers been articulated already?

Singh. Singh discusses five issues in his dialogue: (1) entrepreneurial opportunities generate profit, (2) Timmons' (1994) definition of entrepreneurship should be scrutinized, (3) opportunities cannot be measured empirically, (4) entrepreneurs can fail even if they have valuable opportunities, and (5) entrepreneurial opportunities should be defined as he defines them in his forthcoming book.

In his first point Singh criticizes our definition of entrepreneurial opportunities: "those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production" (Shane & Venkataraman, 2000: 220). Singh argues that "this puts researchers in a precarious position when examining . . . internet startups. . . . [because] many of these businesses turn their founders into millionaires while losing significant amounts of money" (p. 10). We disagree with Singh's criticism for two reasons. First, we suggest that researchers cannot yet measure the profitability of new internet ventures because that industry has not reached equilibrium. Over the long term, internet companies will likely provide goods and services that can be sold at greater than the cost of production. Second, internet "opportunities" may not be opportunities to introduce new computer software but, rather, may be opportunities to sell "new firm ideas" to unsuspecting individual investors through initial public offerings. The simple fact that the founders of internet companies have become millionaires by introducing new firm ideas and selling them to the public at a much greater price than the cost of producing a public company is evidence that an entrepreneurial opportunity existed and was successfully pursued.

Second, Singh suggests that definitions of entrepreneurial opportunities within the literature be scrutinized, and he goes on to criticize Timmons' (1994) definition of opportunities. We are not sure why Singh discusses Timmons' definition of entrepreneurship in a dialogue about our paper, but we think it best to let Timmons defend his own definition.

In his third point Singh argues that "for any type of predictive theoretical model or longitudinal study, . . . researchers cannot . . . 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" (p. 11). Although we recognize that examination of entrepreneurial opportunities is difficult, we disagree with Singh's assertion that researchers cannot use retrospective designs to examine these. We see the firm formation studies by population ecologists and the work of Tushman and Anderson (1986) and Utterback (1994) on new technology as evidence that researchers can use archival data to examine many dimensions of opportunities without suffering from bias. Similarly, we see the work of Shane (2000) as an example of a study in which entrepreneurial opportunities are explored retrospectively, without suffering from bias.

Fourth, Singh criticizes us for citing "literature that suggests that most new firms fail because of overoptimism on the part of entrepreneurs with respect to their opportunities" (p. 11). We believe that Singh has misinterpreted our statement. What we say is "People who exploit opportunities typically perceive their chances of success as much higher than they really are—and much higher than those of others in their industry. . . . overoptimism might be associated with a higher probability of both exploitation and failure" (Shane & Venkataraman, 2000: 223–224). Therefore, we do *not* say that overoptimism causes failure. Rather, we say that overoptimism leads to a greater likelihood of opportunity exploitation. Since most entrepreneurs fail, increasing the likelihood of exploitation means that many people exploit opportunities that are unlikely to be successful.

Singh also criticizes us for failing "to address the situation in which the conjecture could be correct but not acted upon correctly" (p. 11). However, in our paper we never discuss the issue of what happens when good opportunities are exploited poorly. Therefore, we clarify that we do not argue that entrepreneurs who identify the right opportunities will always succeed. A valuable opportunity is a necessary but not sufficient condition for success.

In his fifth point Singh tells us that researchers should adopt his definition of an entrepreneurial opportunity, which he says is "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" (p. 11). We do not believe that this definition is adequate, for several reasons. First, as we point out in our article, an entrepreneurial opportunity does not have to be a new "venture": "entrepreneurship does not require, but can include, the creation of new organizations. . . . entrepreneurship can also occur within an existing organization . . . [and] can be sold to other individuals or existing organizations" (Shane & Venkataraman, 2000: 219). Second, entrepreneurial opportunities do not have to take the form of new products or services. New organizing methods, such as is the case with the internet, or the creation or discovery of new raw materials, such as aluminum or petroleum, can provide the basis for entrepreneurial opportunities. Third, we do not believe that "innovation," "product improvement," or "imitation" are the only types of entrepreneurial opportunities. "The exploitation of market inefficiencies that result from information asymmetry, as occurs across time and geography, . . . [and] the reaction to shifts in the relative costs and benefits of alternative uses for resources, as occurs with political, regulatory, or demographic changes" (Shane & Venkataraman, 2000: 220), can also provide the basis for entrepreneurial opportunities.

Erikson. Erikson discusses three issues in his dialogue: (1) a three-dimensional framework is necessary to conceptualize entrepreneurship, (2) processes and resources are crucial dimensions of entrepreneurship, and (3) the correct three-dimensional framework for the field includes capacity to coordinate, capacity to see ventures to fruition, and capacity to recognize opportunities.

In his first point Erikson criticizes our framework as one dimensional. We are confused by Erikson's criticism for two reasons. First, our framework is not one dimensional; as we argue in our paper, the *nexus* of valuable opportunities and enterprising individuals is the heart of the field of entrepreneurship. Second, Erikson contradicts himself when he states that our framework is one dimensional. He writes that he must "add two additional dimensions that, in concert with the authors' dimension, would capture the very nature of entrepreneurship" and goes on:

Hornaday "conceptualizes *economic innovation, organization creation,* and *profit seeking in the market sector* as the core dimensions 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" (p. 12). If Erikson believes that entrepreneurship does not require organization creation and that economic innovation and profit seeking in the market sector are embedded in our conceptualization, then we do not understand why he criticizes our conceptualization as lacking these dimensions.

In his second point Erikson argues that the process and resource dimensions of entrepreneurship presented in Stevenson and Jarillo's definition of entrepreneurship are crucial. We agree but believe that these dimensions of entrepreneurship are already included in our framework. We explain that the field of entrepreneurship includes research questions about how opportunities for the creation of goods and services come into existence, how some people and not others discover and exploit these opportunities, and how different modes of action are used to exploit entrepreneurial opportunities. As a variety of theorists have pointed out, answers to "how" questions explain processes. Moreover, we identify a variety of resources that influence the discovery and exploitation of opportunity. We explain that two resources—information and cognitive properties—influence the discovery of opportunity, and we explain that several resources—opportunity cost, financial capital, social ties, career experience, willingness to bear risk, optimism, self-efficacy, internal locus of control, tolerance of ambiguity, and need for achievement—influence the decision to exploit opportunity. Finally, we explain that access to capital, scale economies, learning curves, and complementary assets influence the mode of opportunity exploitation.

In his third point Erikson suggests that a three-part framework that incorporates capacity to coordinate, capacity to see ventures to fruition, and capacity to recognize opportunities is the correct framework for entrepreneurship. We disagree, for two reasons. First, Erikson's proposed framework is person centric. All three dimensions he proposes are attributes of people—opportunities themselves are absent. As we argue in our paper, person-centric definitions of entrepreneurship are problematic because they do "not include consideration of the variation in the quality of opportunities that different people identify . . . [and lead] researchers to neglect to measure opportunities" (Shane & Venkataraman, 2000: 218). In Erikson's proposed framework there is no place for the difference between an opportunity to exploit a cure for cancer and an opportunity to exploit the need for a new pizza shop in College Park, Maryland, even though differences in the nature of opportunities themselves influence the process of entrepreneurial exploitation. Second, in his proposed framework Erikson seeks to explain "entrepreneurial capability." We believe that a focus on the skills and abilities of particular entrepreneurs is too narrow a domain for the field of entrepreneurship. The field of entrepreneurship should also be concerned with why, when, and in what form opportunities come into existence; when and how some people and not others discover these opportunities; when people exploit opportunities; how the nature of opportunities themselves influences the decision to exploit; why, when, and how different modes of action are used to exploit entrepreneurial opportunities; and the effect of the entrepreneurial process on society at large.

In short, we thank our colleagues for their dialogue submissions to *AMR*. Not only did their submissions convince us that our original paper provides a useful contribution to the field but they also have given us the opportunity to advance a dialogue with others aimed at advancing the field. For that we are grateful.

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Scott Shane
University of Maryland

S. Venkataraman
University of Virginia