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**Opportunity and Entrepreneurship**

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**Summary**

In this article, we discuss the equilibrium orientation that underlies much of the theory and empirical testing on entrepreneurship studies today. In response, we provide 4 arguments on why equilibrium assumptions are problematic. The 3rd section "Type of Opportunities" looks at 3 important dimensions of opportunities, the 4th section "Implication of Theory Development and Theory Testing" discusses the ramification of our approach and data gathering and empirical analysis. The final section includes our conclusion.

**Existing Theories of Entrepreneurship**

Entrepreneurship is episodic and unlikely to be explained by factors that influence human action. Many theories assumed entrepreneurship is an equilibrium phenomenon, either explicitly or implicitly. In reality, prices don't shift automatically but because of purchasing decisions of a "handful of people", then a handful of entrepreneurs recognized a disequilibrium situation and purchased resources.

**Moving Away from Existing Theories of Entrepreneurship**

Given the problems of taking an equilibrium perspective, we assume that equilibrium is either never fully realized (Kirzner, 1985), or is intermittently disrupted by the profit-seeking action of individuals (Schumpteter, 1934).

Following Venkataraman (1982), entrepreneurship defines as the discovery, evaluation, and exploitation of future goods and services. To explain the presence of entrepreneurial opportunities, we define what they are and in contrast with other profit opportunities. Then we explain why the price is an indication of opportunities.

*Entrepreneurial Opportunities Defined*

Entrepreneurial opportunities as the situation in which new goods, services, raw materials, markets, and organizing methods can be introduced through the formation of new means, ends, or mean-ends relationships.

Entrepreneurial opportunities cannot be exploited by optimizing because the set of alternatives in introducing new things is unknown, precluding mechanical calculation between all possible alternatives (Baumol, 1993).

*Why Prices are Incomplete Indicators of Opportunity*

For entrepreneurial opportunities to existing, people must not agree on the value of resources. Prices convey only part of the information necessary to direct opportunities to serve existing markets. Evidence of the latter problem is most prevalent during periods of technological change. Hayek's tin market example shows the limitations of the price system for allocating resources.

*Discovery Defined*

Entrepreneurial discovery is a perception of a new means-end framework to incorporate the information, incompletely or partially neglected by prices. In exploiting opportunities, individuals acquire resources and engage in activities that change prices and provide information to others. The prices that are updated or created through this process increase the accuracy of decisions.

*The Life Cycle of Opportunity*

If an entrepreneur does discover a valuable opportunity, and that opportunity generates entrepreneurial profit, that profit is likely to be transient due to external and internal factors. The information asymmetry that creates opportunities in the first place is subsequently reduced by the diffusion of information about the opportunity. However, the opportunity half-life can last longer depending on a variety of factors. They include situations in which few parties have the requisite knowledge to copy a way of exploiting an opportunity despite its demonstration.

**Types of Opportunities**

Entrepreneurial opportunities are created when economic actors gain access to new information that allows them to purchase resources at low prices and sell them at an entrepreneurial profit. Several types of exogenic shifts exist, including those spurred by government action, triggered demographic changes, and those generated by the creation of new knowledge. Drucker (1985) discusses 4 sub-sets of opportunities, which are defined by the amount, variety, and source of feasible solutions. Opportunity conditions are most favorable when for a given investment the likelihood of achieving innovation is high and when it is possible to use a single development for multiple solutions. The nature of the knowledge itself is likely to influence the volume and type of entrepreneurial opportunities.

In the entrepreneurship literature, opportunities can be classified on whether the changes that generate them exist on the demand-side or supply-side side - i.e., whether the in-demand outpaces investments in production capacity. In this case, some empirical support exists for the existence of opportunities in growing markets, but more studies should explore demand-driven entrepreneurial opportunities. Entrepreneurial activity can be both productive and unproductive. Merger activity provides a good example of the potential for productive entrepreneurship. However, merger may also generate unproductive opportunities, as would be the case if a merger merely shifts wealth from consumers to products by reducing competition. Different types of entities initiate the changes that result in entrepreneurial opportunities.

**Implication for Theory Building and Theory Testing in Entrepreneurship**

An opportunity-based perspective on entrepreneurship provides researchers with the same general framework to explain many parts of the entrepreneurial process. As a result, the framework can be utilized by scholars to move beyond studies that test theories. From a non-statistical perspective, this means that a longitudinal process will be necessary to examine the entrepreneurship question.

**Reaction/Critique**

Opportunity and Entrepreneurship is an article written by Jonathan T. Eckhardt and Scott A. Shane. This article they’ve provide us more in-depth discussion of role of opportunities. The article also discusses the equilibrium orientation that underlies much of the theory and empirical testing on entrepreneurship studies.

The first section of the paper titled “Existing Theories of Entrepreneurship**”,** Khilstrom and Laffont quote that “people with greater preference of uncertainty prefer to be an entrepreneur, while those prefer lesser uncertainty prefer to be a minimum wage earner.”, I can say this is true, in the world of business, the only one who can risk trying out new ideas and bring out huge amount of money without a certainty of that money will come back are entrepreneurs. In the last paragraph, it was mentioned that “price do not shift automatically, but respond to purchasing decisions of a “handful of people”.”, in this quote they are referring to the people who hoard goods when they notice a disequilibrium, take for an example of what happen when pandemic starts, price of ethyl alcohol, face mask, and some essential like in food, how meat products rose exponentially, same with vegetable goods. They believe that they are hoarding goods and hide it, when the time comes, the price will rise and they will sell it higher than the original price they bought it.