



Opportunity

Discovery and Creation



Opportunity

- **Entrepreneurial opportunities** are usually **defined** as situations where products and services can be sold at a price greater than the cost of their production.
- An '**entrepreneurial opportunity**', thus, is a situation where **entrepreneurs** can take action to make a profit.



Are Opportunities Created or Discovered ?

An Entrepreneurial
Perspective

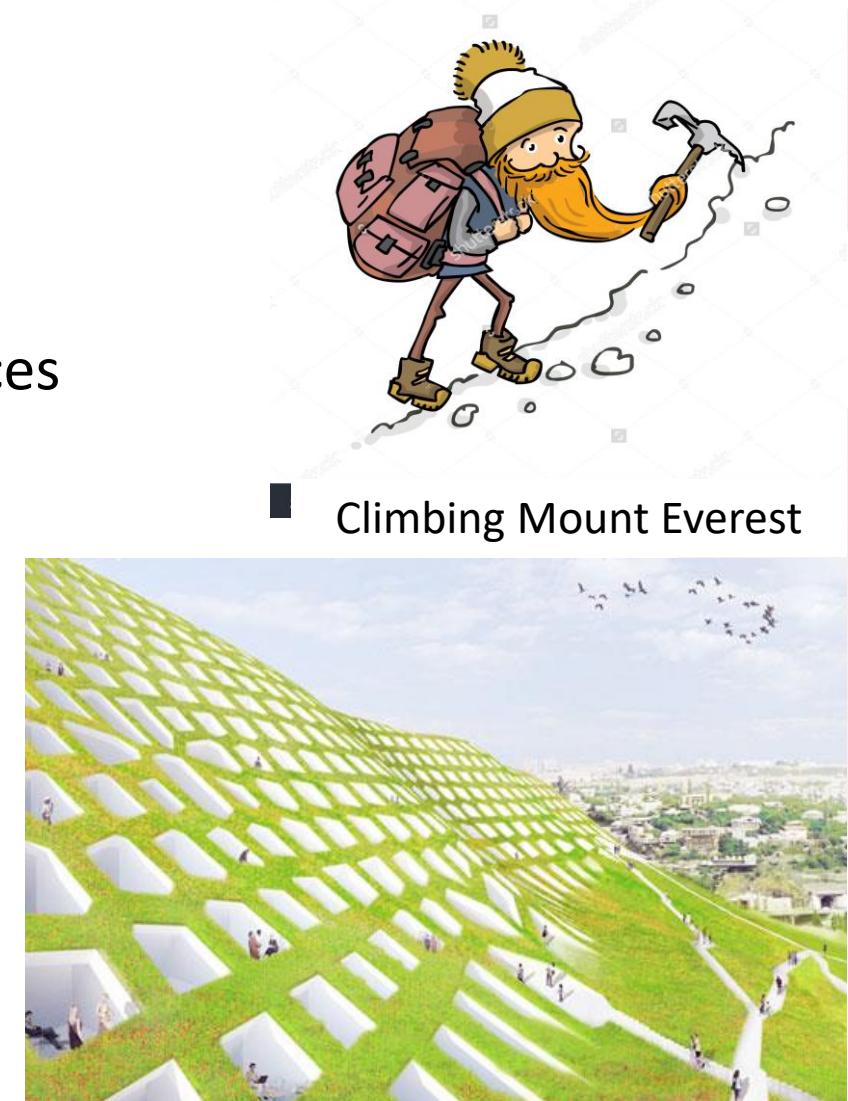
What do you see in this picture?

What can be your interpretation as entrepreneur?



Two Approaches to Opportunities

- Discovery Theory
 - About Search
 - Systematically scan the environment
 - Discover opportunities
 - Create/produce new products and services
- Creation Theory
 - Opportunities do not exist
 - Entrepreneurs create and exploit
 - Dependents on Entrepreneur's actions



■ Climbing Mount Everest

Building a mountain and climbing it

- Both theories point out that
 - Goal of an entrepreneur is to form and exploit an opportunity
 - Opportunity exists due to imperfections in market/industry
- However the theories differ in
 - Analysis of origin of imperfections

Discovery theory

Assumes imperfections arises exogenously

- Technology changes
- Political and regulatory changes
- Social and Demographic changes

Creation theory

Opportunities are created endogenously by action of entrepreneur

- Iteration through observation
- Beliefs are transformed
- Search has no meaning in this theory

Assumptions of two theories

	Discovery Theory	Creation Theory
Nature of Opportunities	Opportunities exist, independent of entrepreneurs. Applies a realist philosophy.	Opportunities do not exist independent of entrepreneurs. Applies an evolutionary realist philosophy.
Nature of Entrepreneurs	Differ in some important ways from nonentrepreneurs, ex ante.	May or may not differ from nonentrepreneurs, ex ante. Differences may emerge, ex post.
Nature of Decision Making Context	Risky	Uncertain

	Risky	Ambiguity	Uncertainty
Possible Outcome	Yes	Yes	No
Probability of outcomes	Yes	No	No

Some common examples

- Dhirubhai Ambani started Reliance industries
- Mukesh Ambani started Reliance Jio
- Tata Nano
- Sony Walkman
- PayTM to PayTM Bank
- ATM to Mobile ATM

	Discovery Context	Creation Context
Leadership		
Decision Making		
Human Resource Practices		
Strategy		
Finance		
Marketing		
Sustaining Competitive Advantages		

Opportunity Types



Exercise

- In relation to opportunity as Discovery justify with an example that:
 - Opportunity exists independent of entrepreneur
 - Entrepreneurs differ in some important ways from non-entrepreneurs
- In relation to opportunity as Creation justify with an example that:
 - Opportunity does not exist independent of entrepreneur.
 - Entrepreneurs may or may not differ from non-entrepreneur

References

- Alvarez, S. A., & Barney, J. B. (2007). Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, 1(1-2), 11-26.