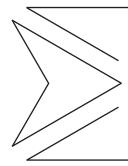
Published online 16 November 2007 in Wiley InterScience (www.interscience.wiley.com). DOI: 10.1002/sej.4



DISCOVERY AND CREATION: ALTERNATIVE THEORIES OF ENTREPRENEURIAL ACTION

SHARON A. ALVAREZ* and JAY B. BARNEY Fisher College of Business, Ohio State University, Columbus, Ohio, U.S.A.

Do entrepreneurial opportunities exist, independent of the perceptions of entrepreneurs, just waiting to be discovered? Or, are these opportunities created by the actions of entrepreneurs? Two internally consistent theories of how entrepreneurial opportunities are formed – discovery theory and creation theory – are described. While it will always be possible to describe the formation of a particular opportunity as an example of a discovery or creation process, these two theories do have important implications for the effectiveness of a wide variety of entrepreneurial actions in different contexts. The implications of these theories for seven of these actions are described, along with a discussion of some of the broader theoretical implications of these two theories for the fields of entrepreneurship and strategic management. Copyright © 2007 Strategic Management Society.

When asked why he climbed Mount Everest, world renowned mountain climber George Mallory is alleged to have responded, 'Because it is there.' Many entrepreneurship scholars have adopted a similar metaphor when talking about why entrepreneurs exploit competitive opportunities – because they are there. Because these opportunities exist, and because some people are more insightful or clever in recognizing and exploiting opportunities than others, exploiting these opportunities can be a source of economic profits and, in some cases, fame and fortune.

Assuming that opportunities – like mountains – exist as objective phenomena just waiting to be discovered and exploited has important implications for entrepreneurial actions. For example, if opportu-

nities exist as objective phenomena, then the task of ambitious entrepreneurs is to discover these opportunities – using whatever data collection techniques exist – and then exploit them – using whatever strategies are required – all as quickly as possible, before another entrepreneur discovers and exploits the opportunity. Just as few remember the second person to conquer Mount Everest, entrepreneurs that are late in discovering and exploiting an opportunity will generally not experience the same success as the first entrepreneurs to successfully discover and exploit an opportunity.

But, what if entrepreneurial opportunities were not like mountains, just waiting to be discovered and exploited. Suppose, instead, that these competitive imperfections in markets were created by the actions of entrepreneurs. In this case, the right metaphor for entrepreneurship is not 'mountain climbing' but, rather, 'mountain building.' And, assuming that opportunities are created rather than discovered may also have very important implications for entrepreneurial action. For example, rather then searching for a clear opportunity to be exploited, entrepreneurs creating opportunities might engage in an iterative

E-mail: alvarez_42@cob.osu.edu



Keywords: entrepreneurship theory; opportunity creation; opportunity discovery; uncertainty; exploitation; entrepreneurial processes

^{*}Correspondence to: Sharon A. Alvarez, Fisher College of Business, Ohio State University, 2100 Neil Avenue, 850, Columbus, OH 43210, U.S.A.