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**Theories of  
Entrepreneurship:  
Alternative Assumptions  
and the Study of  
Entrepreneurial Action**

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# Theories of Entrepreneurship: Alternative Assumptions and the Study of Entrepreneurial Action

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## Contents

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<b>Section 1</b>	<b>Introduction</b>	<b>1</b>
<b>Section 2</b>	<b>Theory One: The Discovery Theory. Individual/opportunity nexus view</b>	<b>3</b>
2.1	Assumption One: Objective opportunities	3
2.2	Assumption Two: Unique individuals	4
2.3	Assumption Three: Entrepreneurs are risk-bearing	4
2.4	How are these assumptions related?	5
<b>Section 3</b>	<b>Theory Two: The Creation Theory</b>	<b>7</b>
3.1	Assumption One: Subjective opportunities	7
3.2	Assumption Two: Individuals do not recognize opportunities, they create them	9
3.3	Assumption Three: Entrepreneurs bear uncertainty	9
3.4	How are these assumptions related?	12

vi *Contents*

<b>Section 4</b>	<b>Are these theories contradictory or complementary?</b>	<b>13</b>
<b>Section 5</b>	<b>Entrepreneurship phenomena</b>	<b>15</b>
5.1	What is a firm?	15
5.2	Current theories of the firm	17
5.3	Uncertainty and prior theories of the firm	19
5.4	Organizing a firm under uncertainty	23
5.5	Introducing market uncertainty into transactions cost economics	24
5.6	Value creation and market uncertainty	24
5.7	Transactions problems under high market uncertainty	25
<b>Section 6</b>	<b>Rents, quasi-rents, and entrepreneurial rents</b>	<b>29</b>
6.1	Rents	29
6.2	Governance problems	31
6.3	Who should control decision-making in a firm?	32
<b>Section 7</b>	<b>The governance effects of behavioral and market uncertainty</b>	<b>35</b>
<b>Section 8</b>	<b>Differences in theoretical predictions</b>	<b>39</b>
<b>Section 9</b>	<b>Discussion</b>	<b>41</b>
	<b>References</b>	<b>43</b>

# 1

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## Introduction

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The field of entrepreneurship continues to struggle with the development of a modern theory of entrepreneurship [25]. In the past 20 years development of the current theories of entrepreneurship have centered on either opportunity recognition ([22]; [8]) or the individual entrepreneur ([48]; [11]; [10]). During this same time period many theoretical insights also came from those in other fields such as economics ([32]; [12]) and a rediscovery of the work of Schumpeter ([55], [56]).

However, despite the attempts of many entrepreneurship scholars to develop theory in this field there continues to be a lack of consensus about what constitutes entrepreneurship theory and no generally accepted theory of entrepreneurship has emerged. This lack of consensus is in large part due to the lack of clarity that entrepreneurship scholars have about the unstated assumptions of entrepreneurship. As Gartner [25] suggests, we in the field of entrepreneurship are unaware of the assumptions that we make in our theoretical perspectives.

While different explanations of entrepreneurship have adopted sometimes radically different theoretical assumptions, most of these concern three central features of entrepreneurial phenomena: the nature of entrepreneurial opportunities ([32], [62]; [22]), the nature of entre-

## 2 *Introduction*

preneurs as individuals ([48]; [11]; [10]), and the nature of the decision-making context within which entrepreneurs operate ([36]; [4]).

That most efforts to develop theoretically rigorous explanations of entrepreneurship adopt assumptions with respect to these characteristics does not imply that they have adopted the same assumption. Indeed, as is shown here, different theoretical traditions in the field sometimes adopt radically different assumptions with respect to these attributes of entrepreneurial phenomena, and thus develop sometimes radically different explanations of these phenomena.

Unfortunately, with few exceptions [61], most entrepreneurship scholars are not explicit about the assumptions they are using [25]. Moreover, when developing their particular theoretical perspective, many authors tend to adopt the view that the only reasonable assumption that can be made, say, about the nature of opportunities or the nature of entrepreneurs, is the assumption they are making [54]. A failure to be explicit about these critical assumptions, and an unwillingness to entertain alternative assumptions has hampered the development of theory in the field of entrepreneurship [25].

The purpose of this text is to investigate two sets of assumptions about the nature of opportunities, the nature of entrepreneurs, and the nature of the decision-making context within which entrepreneurs operate. It is suggested that these two sets of assumptions constitute two logically consistent theories of entrepreneurship. Moreover, these two theories – far from being contradictory – are complementary in nature, since each applies in very different settings. Finally, these two complementary perspectives are applied to widely studied entrepreneurial phenomena, the organization of the entrepreneurial firm. These applications demonstrate both the differences between these two theories and how they can be complementary in nature.

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