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PROPOSING SOCIAL RESOURCES AS THE FUNDAMENTAL CATALYST TOWARD OPPORTUNITY CREATION

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The growing body of research on the creation view of opportunities suggests that social processes between potential entrepreneurs and interested parties often account for why many technically brilliant business ideas are abandoned sometime between conceptualization and market launch. Surprisingly though, few studies have comprehensively examined the different roles various categories of social resources play at different stages of the opportunity-creation process. Hence, the present article fills this gap by outlining how the unique resources of social capital and social competence facilitate entrepreneurs' ability to guide imagined ideas through the multistage, path dependent, socially complex opportunity-creation process. Copyright © 2015 Strategic Management Society.

INTRODUCTION

Nano Engine is an emerging long-lived, lightweight, reliable power solution technology developed and beta tested at a western U.S. university. The Nano Engine is expected to deliver orders of magnitude, more energy and power densities than any existing long-lived battery technology in a package that is low weight, virtually undetectable, ultracompact, safe, and reliable. The technology is based on a scientific process that fabricates large single crystals of semiconductor-quality actinide oxide materials (including uranium oxides) using a proprietary process. These robust semiconductor materials are capable of withstanding extreme temperatures and radiation levels.

The Nano Engine developer wishes to commercialize this technology. He believes it has a variety of market applications, particularly within the military sector. Other applications, however, include powering single-family homes and automobiles and serving as the base technology for mobile power generators. On the surface, this technology's potential seems endless. However, the developer must determine the economic viability of the Nano Engine before he can convince stakeholders to provide the requisite funding for a product launch (Choi and Shepherd, 2005; Dimov, 2011; Wood and McKinley, 2010). One of his viability questions concerns the point of entry that would provide the most profit (e.g., Holt and Macpherson, 2010)?

Unfortunately, despite its market potential and regardless of the technology's viability, it is quite probable that the Nano Engine will never be commercialized or even exit the laboratory (West and Noel, 2009). Past research estimates that for every 3,000 new conceptualized business ideas, only four will advance to the market, two will generate profit, and one will become a market leader (Zien, 1998; Zien and Buckler, 1997; Zimmerer, Scarborough, and Wilson, 2008). These daunting statistics beg the

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question: *Are all the rejected ideas technologically infeasible? If not, why do so many technically viable business ideas never make it to the competitive marketplace*? Undoubtedly, many feasible technologies are simply more complicated, more expensive, and less effective than the eventual market solution. That said, the growing body of research on the creation view of opportunities sheds some light on this quandary by suggesting that social processes between potential entrepreneurs and interested parties often account for why many technically brilliant business ideas are abandoned sometime between conceptualization and market launch (e.g., Dimov, 2007, 2011; Foss *et al*., 2008; Klein, 2008). Surprisingly though, few studies have comprehensively examined the different roles various categories of social resources (social capital and social competence) play at different stages of the opportunity-creation process. Hence, the present article fills this gap by outlining how the unique resources of social capital (goodwill that exists within one's network relationships (Adler and Kwon, 2002)) and social competence (overall ability to interact effectively with others (Baron and Markman, 2003)) facilitate entrepreneurs' ability to develop imagined business ideas into market realities.

The creation view posits that opportunities are developed over time through a multistage, path-dependent, socially complex, and iterative interactive process between entrepreneurs and interested parties (Alvarez, Barney, and Anderson, 2013; Dimov, 2010, 2011; Haynie, Shepherd, and McMullen, 2009). Creation can be contrasted with the more established discovery view of opportunity recognition, which holds that opportunities originate independent of entrepreneurs via structural changes within industries or markets and are, thus, waiting for highly alert individuals to exploit them (Shane and Venkataraman, 2000; Shane, 2003). Therefore, while discovery suggests that social resources are highly valuable within new venture creation because they provide entrepreneurs access to critical information on existing opportunities (e.g., Stam and Elfring, 2008), creation implies that social resources are quite possibly the stimulus that allows certain entrepreneurs and not others to advance conceptualized business ideas into market offerings (Foss *et al*., 2008). Creation scholars conjecture that business ideas originate within the entrepreneur's imagination after which the entrepreneur engages in a socially complex sensemaking process with knowledgeable others resulting in the business ideas either progressing to market entry or being abandoned due to unresolved uncertainties (McMullen and Shepherd, 2006; Dimov, 2010, 2011). As such, the creation perspective suggests that opportunity creation requires entrepreneurs to successfully navigate their ideas through multiple developmental stages (e.g., Haynie *et al*. (2009), each of which require different social proficiencies (e.g., Choi and Shepherd, 2005; Zimmerman and Zeitz, 2002). For example, during opportunity objectification (process of validating that a conceptualized idea has market viability (Wood and McKinley, 2010)), social capital is essential because it allows entrepreneurs to leverage the goodwill they possess with knowledgeable others to help them gain needed feedback about the viability of their ideas. Conversely, during opportunity enactment (the process of building stakeholder support sufficient enough to transition an objectified idea into an operating business (Schoonhoven, Eisenhardt, and Lyman, 1990)), entrepreneurs must use their social competence (variety of interpersonal skills) to both effectively distribute key information about the proposed business and sell stakeholders on the opportunity's viability (e.g., Baron, 2007; Lounsbury and Glynn, 2001).

Given the above arguments, we build on Wood and McKinley's (2010) three-stage model of opportunity creation (opportunity conceptualization, opportunity objectification, opportunity enactment) to assert that social capital facilitates opportunity objectification by providing entrepreneurs a base of knowledgeable peers to engage during the sensemaking process. Once objectified, we further posit that social competence facilitates opportunity enactment by helping entrepreneurs reduce stakeholders' opportunity-related uncertainty during the consensus-building process. Finally, we assert that social competence positively moderates the social capital objectification relationship by helping entrepreneurs leverage bridging ties, whereas social capital positively moderates the social competence idea enactment relationship by increasing entrepreneurs' sources of potential stakeholders.

Such assertions progress the literature beyond arguing that social resources expedite the entrepreneur's ability to identify existing opportunities, to instead asserting that social resources are the catalyst to creating new opportunities. Fundamental to our argument is the idea that social resources help entrepreneurs create new businesses which, without the influence of these resources, would likely never come to fruition. Correlatively, we further contend

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that a lack of social resources on the part of the entrepreneur is quite possibly the reason many viable opportunities never reach the marketplace. As such, we advance that social resources are just as critical to the new venture-creation process as the cornerstone variables of knowledge, human capital, and tangible resources.

THEORETICAL FRAMEWORK

Discovery versus creation

Researchers acknowledge that the opportunity construct is one of the central tenants in the field of entrepreneurship (e.g., McMullen and Shepherd, 2006); however, the question of where opportunities originate is still very much up for deliberation among scholars in the field (Klein, 2008; Plummer, Haynie, and Godesiabois, 2007). Two of the best known perspectives on opportunity origination are discovery and creation (e.g., Alvarez *et al*., 2013; Alvarez and Barney, 2007, 2010, 2014; Venkataraman, 2003).

The discovery view assumes that opportunities are formed by external shocks to existing markets or industries from factors such as changes in social preferences and regulatory frameworks (Shane and Venkataraman, 2000; Shane, 2003). These opportunities are, in turn, 'discovered' by alert individuals (entrepreneurs) for the purpose of wealth creation (e.g., Kirzner, 1979). This perspective further assumes that these opportunities are identified in an environment of measurable risk where entrepreneurs have a formidable understanding of the possible outcomes and can reasonably estimate the probabilities that such outcomes will take place (Alvarez and Barney, 2007). Thus, the discovery view implies that after an opportunity is uncovered, the entrepreneur can gather sufficient relevant information to develop a rational business plan sufficient enough to secure the requisite financing (Shane and Venkataraman, 2000; Shane, 2003).

A solid body of research on the discovery process has concluded that social resources are highly valuable because entrepreneurs who possess high levels of social resources tend to access critical information about market changes that less socially connected entrepreneurs are either unable to access or unable to access in as timely of a manner (e.g., Davidsson and Honig, 2003; De Carolis, Litzky, and Eddleston, 2009; Stam and Elfring, 2008). However, since the discovery perspective asserts that opportunities are available for unearthing by entrepreneurs (e.g., Alvarez *et al*., 2013), it implies that entrepreneur social resources simply expedite opportunity recognition and have little, if any, influence on the origination of such opportunities (Wood and McKinley, 2010).

The creation perspective, however, purports that opportunities result from an emergent and iterative multistage search process undertaken by potential entrepreneurs attempting to find ways to create wealth (Gartner, 1985; Sarasvathy, 2001). Thus, contrary to discovery, the entrepreneur, rather than an external force, causes the market disruption and change (Wood and McKinley, 2010). Through an evolutionary process of experimentation, learning, adaption, and knowledge creation, entrepreneurs develop opportunities that would not likely have been created if such a process had not been undertaken (Alvarez *et al*., 2013; Garud and Karnoe, 2001, 2003). Knowledge needed to form and exploit an opportunity is often not even formulated until the evolutionary process is in progress because the progression could lead to opportunities outside of the current markets and industries (Kogut and Zander, 1992; Schoonhoven, Eisenhardt, and Lyman, 1990). Contrary to discovery, the creation view posits that opportunity origination takes place in an environment of uncertainty and ambiguity where neither the potential outcomes nor their probability of occurrence are known (Sarasvathy, 2001; Perry, Chandler, and Markova, 2012). This high level of uncertainty surrounding opportunity creation means that entrepreneurs must work hard to gain consensus with regard to viable opportunities and build coalitions of stakeholders with necessary financial resources to launch the ventures (Choi and Shepherd, 2005; Haynie *et al*., 2009). As such, business planning changes radically throughout the venture-creation process and nontraditional financing (such as self-financing and bootstrapping) is often employed (Alvarez *et al*., 2013; Foss *et al*., 2008).

Critical to successful opportunity creation is the ability of the entrepreneur to effectively develop social ties and manage social interactions with such ties (De Clercq and Voronov, 2009b; Dimov, 2007). As the process evolves, the entrepreneur must successfully convey the emerging opportunity to potential stakeholders and influence users' perception and attitudes that will affect the successful implementation of the new opportunity (Alvarez and Barney). In turn, the social and technical knowledge gained

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through this process must be effectively transferred to the opportunity end users, 'resulting in new behaviors and routines by both those forming the opportunity and those adopting the opportunity' (Alvarez and Barney, 2014: 164). Given this, it follows that entrepreneur social resources are paramount to an entrepreneur's ability to successfully create opportunities.

This powerful relationship between social resources and the opportunity-creation process is a tenant of constructivist theory, which provides the theoretical framework for the creation perspective. Rooted in the belief that the reality a person experiences is principally subjective and heavily influenced by social interaction and the structures that regulate the contact (Giddens, 1984; Weick, 1979), constructivism suggests that an entrepreneur's opportunities are emergent and dependent on social resources. According to the theory, human knowledge is acquired over time, based on an individual's experience and how the individual organizes and categorizes the experience within his/her mind (Von Glasersfeld, 1981). Thus, constructivism implies that human actions occur, to some degree, when people envision the future as if it is reality and then test the viability of that envisioned future (Haynie *et al*., 2009; Shackle, 1980; Knight, 1921). The idea that the world is subjective also implies that decision making is heavily influenced by judgment and is, therefore, not rigidly guided by external market forces (Klein, 2008). The application of subjectivism to entrepreneurship indicates that entrepreneurial action arises from social processes like interactions between entrepreneurs and interested parties (Choi and Shepherd, 2005; Holt and Macpherson, 2010) and, in turn, individual judgment is heavily influenced by these social interactions (Foss *et al*., 2008; Khaire, 2010).

Examining the origin of market opportunities through a constructivism lens suggests that opportunities are created over time as potential entrepreneurs interact with knowledgeable others to determine whether ideas they imagine are economically viable (e.g., Choi and Shepherd, 2005; Sarasvathy, 2001). As such, a constructivist framework posits that entrepreneurial ventures are the result of envisioning a future that does not yet exist, acting to create the envisioned future, and attempting to receive market acceptance (Haynie *et al*., 2009). Given that opportunities are imagined before they can ever be realized (Klein, 2008), identifying what spurs individuals to undertake entrepreneurial action is critical; without action, imagined ideas will never have a chance to be enacted (McMullen and Shepherd, 2006). Given that social interaction is critical to moving an idea from a vision to a viable business opportunity (Giddens, 1984; Weick, 1979), by extension, a constructivist framework implies that social resources are the catalyst needed to impel entrepreneurial action and enhance entrepreneurs' chances of successfully guiding their imagined ideas through the opportunity-creation process.

While we subscribe to the notion that the discovery and creation perspectives are more complementary than contradictory (Dimov, 2011; Wood and McKinley, 2010), we employ a creation viewpoint in this article that supports the notion that entrepreneur social resources influence opportunity origination. As such, we acknowledge that in line with the discovery view, certain opportunities, like the decision to build a new McDonald's in a growing community, can be rationally ascertained. However, we submit that other opportunities—such as how best to launch the Nano Engine technology, or how to get consumers to accept a new line of sustainable, biodegradable lawn fertilizers, or how to design a software package that enables health care industry stakeholders to access and utilize electronic medical records—are better aligned with the creation perspective. Given this, we next review Wood and McKinley's (2010) model of opportunity creation before arguing that different social resources are needed to successfully navigate different stages of the opportunity-creation process.

Opportunity creation

Using a constructivism lens, Wood and McKinley (2010) articulate a multistage model of opportunity creation. In their model, an entrepreneurial opportunity is defined as a desired and feasible future market offering independent of the current resources controlled by the entrepreneur (Stevenson, Roberts, and Grousbeck, 1989; Stevenson and Jarillo, 1990). As such, opportunity conceptualization results when an entrepreneur envisions a future business idea based on his/her own social experiences. Once an opportunity is conceptualized, Wood and McKinley (2010) posit that the potential entrepreneur will recognize a high level of uncertainty about the possible future business and, thus, the entrepreneur will embark on a sensemaking process by which he/she will attempt to validate whether the conceptualized opportunity is a legitimate business concept. During this process, the

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entrepreneur will seek input from his/her peer group (i.e., friends, family, mentors, colleagues, etc.). Hence, opportunity objectification is the process of subjecting an imagined business idea to objective reality in such a manner that the entrepreneur and others can see the idea as an entity and not just a thought (Wood and McKinley, 2010). Based on discussions and input from peers, the objectification process will either lead to a codified idea or to the abandonment of the idea. In this sense, the optimal outcome of the objectification process is the reduction of the entrepreneur's perceived uncertainty (McMullen and Shepherd, 2006) based on input received via social interaction with peer groups (Dimov, 2010; Perry *et al*., 2012).

Once objectified, the entrepreneur will have a solid appreciation of the prospective company. However, at this point, skepticism surrounding the new venture likely remains high for any potential stakeholders not within the entrepreneur's peer group (McMullen and Shepherd, 2006) and, therefore, reducing uncertainty among prospective investors becomes the priority (Wood and McKinley, 2010). As such, opportunity enactment is highly contingent on the entrepreneur's ability to explain his/her vision to stakeholders, answer relevant questions, and convince them to provide the resources necessary to launch the venture (Choi and Shepherd, 2005; Khaire, 2010). Opportunity enactment results when a business is finally established and has made its first sale (Schoonhoven *et al*., 1990). That said, it must also be noted that many potential entrepreneurs will fail to build a consensus with impending stakeholders, often leading them to abandon their ideas (Tocher *et al*., 2012; West and Noel, 2009).

This discussion indicates that: (1) uncertainty reduction is key to objectifying and enacting opportunities (Wood and McKinley, 2010); and (2) social interactions between entrepreneurs, peers, and stakeholders play a critical role in reducing uncertainty to a point that opportunity objectification and enactment can occur (e.g., Alvarez *et al*., 2013; Haynie *et al*., 2009; Klein, 2008). Given this, we next delineate how entrepreneurs can leverage social resources to reduce uncertainty, leading to increased opportunity objectification and enactment.

Uncertainty reduction via social resources

Broadly defined, uncertainty is the absence of knowledge (Galbraith, 1977). It has further been described as a lack of factual knowledge about the current or future environmental state or a lack of knowledge about the appropriate or necessary actions to address the present or future environment (e.g., Daft and Lengel, 1986). In the context of entrepreneurship, uncertainty is critical because it creates doubt in the minds of both entrepreneurs and stakeholders, which can delay or prevent action (Foss *et al*., 2008; McMullen and Shepherd, 2006). Thus, to enact opportunities, entrepreneurs must first reduce their own uncertainty before attempting to reduce stakeholder uncertainty (Haynie *et al*., 2009; Klein, 2008). As previously discussed, both types of uncertainty reduction are inherently dependent upon social interaction. However, we assert that reducing entrepreneur uncertainty is primarily dependent upon the entrepreneur gathering information, whereas reducing stakeholder uncertainty is largely dependent upon the entrepreneur distributing information. While we acknowledge that in both cases social resources are vital to success (e.g., De Clercq and Voronov, 2009b; Khaire, 2010), we advance that social capital and social competence are different social resources that provide distinct benefits at different stages of the opportunity-creation process (Baron and Markman, 2003; Tocher *et al*., 2012). As such, a discussion of the social capital/social competence distinction is in order.

Social capital versus social competence

Social capital is defined as the goodwill that exists within one's network relationships (Adler and Kwon, 2002). Social competence, however, is an individual's overall ability to interact effectively with others (Baron and Markman, 2003; Baron and Tang, 2009). Social competence is a summary term for an array of social abilities including self-monitoring, persuasion, political skill, social adaptability, impression management, and emotional intelligence (Ferris, Perrewé, and Douglas, 2002; Samadar, Robins, and Ferris, 2006). Notably, social capital arises from factors such as the entrepreneur's reputation, family status, and professional references (Davidsson and Honig, 2003; Stam and Elfring, 2008), while social competence is inborn but can be improved and perfected through experience and training (e.g., Nietzel *et al*.,1998). The primary benefits of social capital are the information and the influence that such capital provides the entrepreneur (De Carolis *et al*. 2009). But, the main benefit of social competence is the individual's inherent ability to create and maintain effective social interactions

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with others, irrespective of social capital (Tocher *et al*., 2012). For example, while factors such as family status, previous work experience, and membership in organizations (social capital) provide an entrepreneur the influence needed to convince peer groups to entertain a conceptualized idea (e.g., Lechner, Dowling, and Welpe, 2006), social competence provides the entrepreneur with the interpersonal skills necessary to maintain effective dialogue with peers, enhancing the chance to gain valuable feedback and, thus, objectify the idea (e.g., Ferris *et al*., 2002; Samadar *et al*., 2006). Therefore, by extension, we assert that social capital and social competence are unique resources that play separate, but complementary, roles in an entrepreneur's ability to objectify and enact opportunities (Baron and Markman, 2000, 2003; Zhang *et al*., 2008).

Opportunity objectification

Opportunity objectification is the process of an entrepreneur subjecting an imagined business idea to reality through a sensemaking process with knowledgeable peers to determine whether the idea is economically viable (Haynie *et al*., 2009; Wood and McKinley, 2010). Sensemaking is the activity that enables an entrepreneur to turn an imagined idea into a vision that he/she can clearly articulate (Weick, Sutcliffe, and Obstfeld, 2005). Notably, the sensemaking process helps the entrepreneur create reality because his/her peer group can develop retrospective meanings from the situations in which they find themselves and can help the entrepreneur refine the idea. As Weick (1993: 635) argued, 'the basic idea of sensemaking is that reality is an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs.' The entrepreneur's future steps are likely formulated by peers and mentors determining the relevance and plausibility of the information within the context of their own past experiences (Weick, 1995). As such, during the objectification process, the entrepreneur will attempt to explain his/her idea to knowledgeable peers who may: (1) affirm that a conceptualized idea is viable; (2) reject the idea as completely unviable; or (3) help the entrepreneur adapt the idea to something potentially viable (Wood and McKinley, 2010). That said, the objectification process appears to be dependent upon possessing access to a group of experienced peers who can help the entrepreneur evaluate and mold ideas (Foss *et al*., 2008). Correlatively, an entrepreneur with an amazing idea will have little chance to reduce his/her own uncertainty and objectify the idea without the input of well-informed peers (Haynie *et al*., 2009). Considering that social capital provides entrepreneurs access to peer groups (Adler and Kwon, 2002), by extension, social capital would seem to be essential to the opportunity objectification process. And, it would further seem that the more social capital an entrepreneur possesses, the better an entrepreneur's chances to objectify an idea. Thus, we advance:

> *Proposition 1: Social capital facilitates entrepreneurs' access to knowledgeable peers with whom to engage in sensemaking, thus enhancing idea objectification.*

Bonding versus bridging social capital

Social scientists typically describe two forms of social capital—bonding and bridging. Bonding social capital examines the substance and influence of internal ties within a collective, such as a work group or family (Adler and Kwon, 2002), whereas bridging social capital refers to external network relationships (Burt, Hogarth, and Michaud, 2000). Benefits of bonding ties include trust, communal norms, and goal attainment (e.g., Coleman, 1988; Uzzi, 1996); however, overuse of these ties can lead to groupthink and decision biases (De Carolis and Saparito, 2006). Conversely, bridging ties tend to provide access to diverse knowledge bases and, thus, produce more creative solutions (McGrath, 1984; Putnam, 2000).

Interestingly, past research suggests that entrepreneurs have a strong tendency to interact within closed networks of primarily bonding ties, reducing their opportunity to glean novel information and possibly hindering their chances of objectifying opportunities (e.g., Ruef, Aldrich, and Carter, 2003; Stam and Elfring, 2008). Scholars note that networks of family, friends, and other close ties not only provide little additional information, but can create a false sense of security, leading the entrepreneur to make potentially disastrous market moves (e.g., De Carolis and Saparito, 2006; Lechner *et al*., 2006). That said, the trust, mutual respect, and supportive environment associated with bonding ties is usually beneficial early in the objectification process because a friendly and supportive audience is a welcoming atmosphere for the entrepreneur as he/she begins fleshing out the idea. Still, since these closed networks of ties are characterized by individuals

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who possess similar attributes, experience, and knowledge, their feedback will probably not reduce the entrepreneur's uncertainty.

Conversely, bridging, acquaintance-type ties, can serve as a conduit for the entrepreneur to join together networks of people who were previously not connected. As such, bridging capital can be highly beneficial during the objectification process because it connects the entrepreneur to individuals with different functional backgrounds and knowledge bases who can provide fresh perspectives (Burt, 2005; Uzzi, 1996). This is supported by Davis, Renzulli, and Aldrich (2006), who found that entrepreneurs who maintain voluntary membership in multiple unrelated organizations (i.e., business, service, religious, and civic) access more unique knowledge from their networks than comparable entrepreneurs with less bridging ties.

Therefore, we argue that while all social capital is valuable during the objectification process, bridging ties are likely more valuable than bonding ties because they help entrepreneurs connect with peers who possess different knowledge and have much different experience than themselves. Thus, the following is proposed.

> *Proposition 2: Bridging social capital connects entrepreneurs to diverse sources of knowledgeable peers with whom to engage in the sensemaking process, thus enhancing objectification.*

Leveraging bridging ties

While the possession of high levels of bridging ties should increase entrepreneurs' chances of objectifying opportunities (e.g., Davis *et al*., 2006), the magnitude of the bridging social capital idea/objectification relationship is likely enhanced by entrepreneurs' social competence (e.g., Baron, 2007; Holt and Macpherson, 2010). As noted, objectification is achieved once an entrepreneur receives consensus from a body of knowledgeable peers that his/her idea is economically viable (Felin and Zenger, 2009). However, agreement is not likely achieved instantly. Through both experience and a complex, path dependent, highly interactive process between the entrepreneur and mainly bridging ties (Alvarez *et al*., 2013; Wood and McKinley, 2010), consensus may be reached. Given that the objectification process takes time and involves complex social interactions with relatively unknown bridging ties, it follows that gaining valuable feedback and eventual consensus about economic viability from bridging ties may often hinge on the entrepreneur's ability to maintain effective social interactions for extended periods of time (Zack, 2007). Given that social competence represents an individual's overall ability to interact effectively with others through such skills as persuasion, adaptability, impression management, political skill, and social perception (Samadar *et al*., 2006), it seems that socially competent entrepreneurs should, by definition, be better able to maintain productive social interactions with bridging ties during the objectification process than less socially competent individuals (Khaire, 2010; Tocher *et al*., 2012).

Importantly, a growing body of research supports the notion that social competence will enhance an entrepreneur's ability to leverage bridging ties throughout the path dependent, highly interactive objectification process. For example, studies indicate that socially competent individuals are able to use their social skills to build and maintain higher levels of social capital with bridging ties (e.g., Diener and Seligman, 2002). Similarly, research indicates that since socially competent individuals are better able to gain the trust and confidence of those with whom they interact, such individuals are better able than those with less social skills to gain valuable feedback and maintain effective relationships with bridging ties (e.g., Breland *et al*., 2007; Ferris *et al*., 2002). Further, research also finds that socially competent individuals are better able to manage highly interactive, path dependent processes such as negotiations (e.g., Lewicki, Saunders, and Barry, 2006), legal proceedings (e.g., Downs and Lyons, 1991), and team management (e.g., Ahearn *et al*., 2004) than less socially competent individuals. Finally, social competence has been found to enhance entrepreneurs' ability to gain benefits from social contacts during the new venture-creation process (e.g., Baron, 2000, 2007). Illustrating this point, socially competent entrepreneurs are better able to obtain tangible resources (e.g., Zhang *et al*., 2008), attain financing (e.g., Baron and Tang, 2009), and gather critical knowledge from social contacts (e.g., Holt and Macpherson, 2010; Khaire, 2010) during the early stages of venture creation than entrepreneurs with less adept social skills. Therefore, we argue that entrepreneur social competence will positively enhance the bridging social capital/idea objectification relationship and, thus, we posit the following:

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Proposition 3: Social competence enhances entrepreneurs' ability to initiate and maintain effective interactions with social ties, which, in turn, positively moderates the social capital/idea objectification relationship.

Idea iteration

Fundamental to the objectification process is the view that entrepreneurs cannot 'build' or 'develop' consensus with well-informed peers about opportunity viability; they must instead 'be granted' consensus (Choi and Shepherd, 2005; Zimmerman and Zeitz, 2002). Before consensus is obtained, the entrepreneur must clearly articulate his/her idea and be open to modifications based on the feedback provided (Dimov, 2011; Haynie *et al*., 2009). It is entirely possible that the well-informed peer group will reject the idea as presented, leading the entrepreneur to experience cognitive dissonance (a condition in which two beliefs are not compatible (Parker and McKinley, 2008)). Clearly stated, the entrepreneur believes his/her idea is viable, but this conviction is not shared by the peer group (Cooper, 2007). However, since the entrepreneur sought the input of the peer group because of its members' knowledge and experience (Dimov, 2010; Foss *et al*., 2008), it seems logical that the entrepreneur would accept the notion that the idea was illusory. At this point, the entrepreneur can either abandon the idea completely or adapt it in accordance with the feedback provided and again seek consensus on the idea's viability. Given that the entrepreneur is invested in the idea and, therefore, rejection is difficult to accept (Harmon-Jones and Mills, 1999; Shackle, 1980), it stands to reason that most entrepreneurs will make the necessary modifications (Festinger, 1957). This process of idea rejection and adaptation may occur multiple times before consensus is granted and objectification transpires (Dimov, 2011; Wood and McKinley, 2010).

This cycle suggests that idea objectification is an evolving and iterative process involving complex social interactions between entrepreneurs and knowledgeable peers. As such, we submit that social competence is critical to objectification. This assertion is supported by Choi and Shepherd (2005), who found that a wide variety of potential stakeholders (i.e., customers, employees, and financiers) were more likely to enter into long-term business relationships with prospective entrepreneurs who were able to effectively describe their firm's proposed market offerings and eventual operating procedures. Given that social competence provides an inherent ability to gain the trust and confidence of those with whom one interacts, it tends to positively influence entrepreneurs' ability to obtain feedback about business ideas (e.g., Breland *et al*., 2007; Duchesneau and Gartner, 1990). Further, newly established ventures operated by socially competent entrepreneurs are more likely to be seen as legitimate (e.g., Holt and Macpherson, 2010), are better able to attain financing (e.g., Baron and Tang, 2009), and typically experience higher levels of performance (e.g., Zhang *et al*., 2008) than firms operated by less socially competent entrepreneurs. Finally, past research finds that socially competent individuals tend to be more effective leaders (e.g., Treadway *et al*., 2004), generally operate higher performing work teams (e.g., Ahearn *et al*., 2004), are typically able to detect dishonest individuals during business transactions (e.g., DePaulo, 1994), and tend to hire more competent employees (e.g., Eder and Ferris, 1989) than less socially competent individuals.

By extension, it would seem that social competence will help potential entrepreneurs more effectively navigate the process of idea rejection, idea adaption, and idea objectification. Hence, the following is advanced:

Proposition 4: Social competence facilitates entrepreneurs' ability to articulate and maintain continuous dialogue with knowledgeable peers through multiple iterations of their ideas, positively moderating the social capital/idea objectification relationship.

Opportunity enactment

A constructivist view of opportunity creation implies that once an idea has been objectified and the entrepreneurs' opportunity-related uncertainty is reduced, he/she will then focus on obtaining the resources necessary for enactment (e.g., Dimov, 2011; Shackle, 1980). Opportunity enactment is the process of building stakeholder support sufficient enough to transition an objectified idea into an operating business entity (Wood and McKinley, 2010). As such, the key activity for entrepreneurs attempting to enact objectified ideas is the creation of a diverse coalition of stakeholders (i.e., customers, financiers, employees, government officials, suppliers, distributors) who commit to the venture through the provision of resources (Jawahar and Mclaughlin, 2001;

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Zimmerman and Zeitz, 2002). It is, however, important to note that the stakeholders needed to launch a new business likely differ from those involved in idea objectification; therefore, uncertainty regarding the legitimacy of the idea again becomes a factor (e.g., McMullen and Shepherd, 2006; Tocher and Rutherford, 2012). Consequently, the uncertainty must be resolved before outside investment is achieved (Holt and Macpherson, 2010; Zimmerman and Zeitz, 2002). Hence, once the entrepreneur has mentally transitioned from objectification to enactment, the role of the entrepreneur shifts from reducing his/her own uncertainty to reducing the uncertainty of potential stakeholders (Dimov, 2010). During enactment, the focus is placed on sharing knowledge with potential investors, requiring the entrepreneur to employ sound and convincing interpersonal and communication skills (Duchesneau and Gartner, 1990).

Since, by definition, socially competent individuals are better able to communicate and build a shared understanding with others, it follows that social competence would improve the entrepreneur's ability to distribute key information about the proposed business and sell stakeholders on the opportunity's viability. Past research supports this contention, indicating that social competence enhances entrepreneurs' ability to gather resources from stakeholders (Baron and Tang, 2009) and operationalize new ventures (Zhang *et al*. 2008). Further, social competence has also been found to help entrepreneurs create an accepted order of understanding between themselves, key employees, and other crucial stakeholders (e.g., customers and financiers) about their business models and market offerings of potential new ventures (Holt and Macpherson, 2010; Khaire, 2010). Considering that the initial business practices of new ventures often differ significantly from those of established firms, the ability to converse with a variety of stakeholders about the venture's viability is critical to enactment and firm survival (Aldrich, 1999; Williamson, 2000). Supporting this statement, research indicates that when such shared understanding exists between entrepreneurs and key stakeholders, the stakeholders are significantly more likely to grant the venture initial legitimacy and provide the needed resources to enable it to become operational (e.g., Batjargal, 2006, 2010; Tornikoski and Newbert, 2007).

This discussion indicates that social competence should enhance entrepreneurs' abilities to: (1) reduce stakeholder uncertainty via knowledge distribution; and (2) build a shared understanding with stakeholders about the operating practices and market offerings of proposed new ventures. Both of these things should enhance the likelihood that stakeholders will provide entrepreneurs with the resources they need to enact their ventures. Therefore, we assert that social competence is critical to opportunity enactment and propose:

> *Proposition 5: Social competence facilitates entrepreneurs' ability to reduce stakeholder uncertainty and convince stakeholders to support the proposed new venture, increasing entrepreneurs' chances of enacting new ventures.*

Enhanced stakeholder access

As we noted, the body of stakeholders needed to enact a venture is likely larger and more diverse than the peers who helped the entrepreneur objectify the idea (Jawahar and Mclaughlin, 2001; Wood and McKinley, 2010). As such, regardless of an entrepreneur's social proficiencies, it would seem that his/her access to a wide and varying base of actors is essential during the enactment process. Given that social capital, by definition, provides access to others through social ties (Adler and Kwon, 2002), such capital would appear to expedite the enactment process because it provides entrepreneurs needed access to a wide and varying base of actors. Without the social capital necessary to gain access to these stakeholders, otherwise brilliant business ideas may never gain traction (Tocher and Rutherford, 2012; West and Noel, 2009). Past research supports this notion, finding that entrepreneur social capital expedites a variety of outcomes critical to the enactment process, such as resource acquisition (e.g., Ozgen and Baron, 2007), time to first sale (e.g., Davidsson and Honig, 2003), and firm legitimacy (De Clercq and Voronov, 2009b). Therefore, we assert that entrepreneur social capital will positively moderate the social competence/oppportunity enactment process and posit the following:

> *Proposition 6: Entrepreneur social capital facilitates access to a diverse base of prospective stakeholders, positively moderating the social competence/opportunity enactment relationship.*

DISCUSSION

In spring 2014, CBS's '60 Minutes' aired a story on the use of drones for civilian purposes. The Pentagon

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has spent millions of dollars on the development of tiny hummingbird-sized drones capable of carrying high quality video and audio equipment (Watson, 2011). The public market opportunities for these tiny drones (i.e., increased surveillance, documenting storm damage, viewing fields of crops to determine dry spots) are straightforward and well aligned with the discovery view of opportunities such that someone will ultimately design a product and occupy the market space (Shane, 2003). That said, the growing body of research on the creation view of opportunities conjectures that other technologically feasible and economically viable market opportunities may be uncovered following an evolutionary process of experimentation, learning, adaption, and knowledge creation (Alvarez and Barney, 2014; Foss *et al*., 2008; Wood and McKinley, 2010).

Near the end of the 60 Minutes drone story, a conceptualized idea emerged that could be vetted by an entrepreneur through the creation process. As the cameraman showed a dog chasing a small low-flying drone, the commentator suggested that in the future, drones could supplant the need for human beings to ever have to exercise their pets. While that specific claim might have been said in jest, it seems technologically and economically feasible that there could be a market for the use of drone technology to exercise animals. Perhaps busy dog owners could program a small drone to fly around the yard periodically throughout the day. However, there are many unanswered questions. How would the drone initially capture the dog's attention? Could the drone cause undue stress upon the dog? What would happen if the drone malfunctioned and crashed? Would we be better served to use a drone for exercise under situations of supervision by trained professionals?

While uncertainties abound about this conceptualized idea, we can conclude with near certainty that a drone animal exercise product will never find its way to the marketplace unless a potential entrepreneur initiates the multistage creation process (Alvarez and Barney, 2014). Further, given that opportunity creation requires entrepreneurs to successfully navigate their ideas through multiple developmental stages (e.g., Haynie *et al*., 2009), each of which require different social proficiencies (e.g., Choi and Shepherd, 2005; Zimmerman and Zeitz, 2002), it also follows that potential entrepreneurs who do not possess the proper social proficiencies may end up abandoning what might have been a technologically feasible and economically viable idea. Since the processes of objectification and enactment differ in the flow of information (entrepreneurs gather information during objectification and distribute information during enactment (Wood and McKinley, 2010)), we submit that the primary social resource needed during objectification is capital, while the primary social resource needed during enactment is competence. Hence, we argue that potential entrepreneurs who initiate the creation process and do not possess social capital sufficient to gather information from knowledgeable individuals will not reduce uncertainty to a level necessary to objectify ideas. Further, we also posit that entrepreneurs attempting to enact objectified ideas who do not possess the social competencies needed to effectively distribute information about their ideas and convince stakeholders to provide them needed resources will not likely ever be able to enact such opportunities, regardless of their technological feasibility or economic viability. Therefore, we contend that we contribute to the scholarly understanding of the creation view of opportunities by arguing that social resources are the catalyst needed to facilitate opportunity development and by clarifying how distinct social resources facilitate entrepreneurs' ability to successfully navigate the stages of the creation process. Our contribution is noteworthy for several reasons.

First, we clearly articulate that social resources allow entrepreneurs to generate novel and unique business opportunities, which may not otherwise be created without these social influences. Previous research in the discovery perspective construed that social resources accelerate venture creation by helping potential entrepreneurs gather critical information about existing opportunities (De Carolis *et al*., 2009; Greve and Salaff, 2003; Lechner *et al*., 2006). Notably, however, is the fact that the discovery view clearly implies that while social resources are critical, their role is only to help entrepreneurs identify existing opportunities (De Carolis and Saparito, 2006; Florin, Lubatkin, and Schulze, 2003; Stam and Elfring, 2008). Conversely, looking at social resources within the context of the creation view, it appears they are necessary for the formation of unique market offerings. To illustrate, we assert that a discovery perspective suggests that if the Nano Engine technology described in the introduction is indeed viable, a socially connected entrepreneur will at some point identify the technology and launch it on the open market in such a manner that it fills an existing opportunity. Conversely, we argue that the

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creation perspective suggests that an entrepreneur's social resources facilitate his/her ability to interact with interested parties who will aid in the process of creating novel, nonexistent market opportunities. Specifically, under the creation viewpoint, the market potential for the Nano Engine technology is not readily known; however, an entrepreneur's social resources help envision the future of the technology, act to create the envisioned future, and endeavor to gain market acceptance (Haynie *et al*., 2009). Similarly, in the drone example discussed earlier, the technology is known, but the industry, application within that industry, and market potential for uncultivated applications are all highly ambiguous and, thus, are well aligned with the creation view (Alvarez and Barney, 2010). One interesting possibility is that the creation process leads entrepreneurs away from the dog exercise application to a product that flies around wind turbines and distracts bats and birds so they do not fly into the turbines, thereby protecting wildlife. Other possibilities could be in industries that do not yet exist and use drone technology in combination with other technologies in a manner that has not yet been conceptualized. The point, though, is that few, if any, of these ideas will come to market unless the entrepreneurs attempting to create them possess the proper match between social resources and developmental stages of the creation process. Therefore, we extend the creation view by arguing that the possession of formidable social resources stimulates unique venture creation, which would not likely take place without the influence of such resources.

Correlatively, our framework also suggests that lacking the proper social resource during a specific opportunity-creation stage (i.e., competence during enactment) may be the primary reason why many technologically savvy entrepreneurs with economically viable business opportunities fail in their efforts to launch the venture and gain acceptance in the marketplace. Past studies (e.g., Baron and Tang, 2009; Zhang *et al*., 2008) have shown that entrepreneurs possessing low levels of social competency often do not have the skills needed to convince stakeholders to invest in their ventures. Likewise, legitimacy studies (e.g., Aldrich and Martinez, 2001; De Clercq and Voronov, 2009a, 2009b) strongly suggest that entrepreneurs with limited social skills generally are not able to convince others to grant their ventures initial legitimacy which, in turn, compromises the viability of the business enterprise. This is supported by West and Noel (2009), who argue that technological savvy does not equate to social savvy (the ability to sell one's product internally to employees and externally to the marketplace). Hence, we submit that social resources may be the missing component for entrepreneurs who conceptualize potentially brilliant opportunities but end up abandoning them during objectification or enactment. Additionally, the abandonment of such ideas is detrimental to the economy because the creation view suggests that if one potential entrepreneur abandons a technically brilliant idea, it might not ever be conceptualized by anyone else and its market potential is lost. As such, we argue that if the entrepreneur attempting to launch the technology does not possess an adequate level of social resources, the technology will likely not advance to the open market, regardless of its viability.

We further contend that social resources are just as critical, if not more critical, to the new venture-creation process as the cornerstone variables of knowledge, human capital, and tangible resources. Research suggests that when evaluating whether to attempt to exploit imagined future market offerings, entrepreneurs' confidence in their ability to access the needed resources is often the deciding factor as to whether action is taken (e.g., Haynie *et al*., 2009). Given that research consistently finds that social capital and social competence help entrepreneurs access and leverage such critical resources as knowledge and financing (e.g., Baron and Tang, 2009; Stam and Elfring, 2008), it follows that social resources may indeed be the key mechanism needed to launch market offerings. Supporting this statement, social capital and social competence have both been shown to increase the likelihood and success of entrepreneurial action (e.g., Ozgen and Baron, 2007; Zhang *et al*., 2008). Further, viewing the creation process through a constructivist lens also suggests that entrepreneurial action is not simply an individual action in response to rigid market forces. Rather, entrepreneurial action is heavily influenced by forces such as creativity and judgment, which are heavily influenced by interactions with relevant others (Foss *et al*., 2008). And, given that social capital and social competence enhance social interactions, we argue that social resources are likely the root cause of opportunity creation. Therefore, we assert that since social resources help entrepreneurs create, access, and leverage the other resources needed to construct and launch market offerings, social resources are essential to the entrepreneurial process.

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Our arguments strongly suggest that potential entrepreneurs should work equally as hard to develop their social resources as they do to conceptualize ideas. Interestingly, however, research finds that entrepreneurs have a natural tendency to build mostly bonding type social capital with friends, family, and former coworkers (e.g., Gargiulo and Benassi, 2000; Lechner *et al*., 2006), rather than bridging ties that might provide more valuable input. As such, relying on bonding social capital may hinder the objectification and enactment processes (Wood and McKinley, 2010). Given this, when developing social capital, entrepreneurs must work to build bridging ties to supplement the bonding ties they already possess and, thus, should follow Davis *et al*.'s (2006) suggestion to actively participate in new social, business, and community organizations. Considering that previous research has found that social skills, as opposed to personality, can be significantly modified through training (Nietzel *et al*., 1998), entrepreneurs should also strongly consider engaging in social skills training.

It must also be pointed out that the perspectives advanced in this article are not meant to discredit or undermine the discovery perspective or the view that social resources provide entrepreneurs with competitive advantages in discovering existing market opportunities. Rather, we side with the growing number of scholars who assert that discovery and creation perspectives are complementary views and that both assist in explaining entrepreneurial actions (e.g., Alvarez *et al*., 2013; Dimov, 2011; Wood and McKinley, 2010). Therefore, we acknowledge that many market opportunities, such as developing Web-based textbook exchange companies (e.g., Dimov, 2011) or deciding when and where to open fast food restaurants or automobile repair shops in a growing community, are objective decisions; therefore, socially savvy entrepreneurs will certainly have competitive advantages over those with limited social resources. However, we also strongly argue that a great many other opportunities, such as the creation of the bobblehead or the Farmville game on Facebook, and the development of countless high-end brands are socially complex and may very well never have been developed if the entrepreneur with the idea did not engage peers and stakeholders in the objectification and enactment processes. Hence, while we do not discount the discovery perspective, we assert that the creation view is highly valuable in explaining entrepreneurial action (Alvarez and Barney, 2007, 2014; Dimov, 2011). And, given that social resources are likely the catalyst in the creation of market opportunities (Baron and Markman, 2003; Wood and McKinley, 2010), we argue that further empirical research is necessary to study the social resource opportunity/creation relationship.

Future research directions

The ideas advanced in this article highlight several interesting research questions. Perhaps the most interesting question is whether many technologically feasible and economically viable ideas are abandoned due to a lack of sufficient social resources on the part of the entrepreneur. As such, studies should be undertaken to determine whether feasible and viable ideas are abandoned due to the lack of a proper match between specific social resources and stages of the creation process. For example, does an entrepreneur with a technically feasible idea fail to objectify the idea due to a lack of bridging ties needed to provide the entrepreneur adequate feedback? To illustrate, consider the conceptualized animal exercise drone application idea discussed earlier. If an individual decides to create this product, it would be interesting to observe the developmental process he/she might take. While the technology is readily available, the entrepreneur would need to gather considerable data from many different categories of people (i.e., dog experts, regulatory authorities, cell phone application designers, marketing experts) in order to resolve the uncertainties and design a prototype. In a perfect world, researchers could document such actions and analyze whether a broad group of bridging ties enhanced the entrepreneur's ability to objectify the idea. Another approach would be to interview entrepreneurs after the fact to determine whether bridging social capital influenced whether or not they were able to objectify ideas.

Once objectified, it would be informative to examine whether social competencies influence entrepreneurs' abilities to enact objectified ideas. In the animal exercise drone application, it is certainly possible that several different entrepreneurs could patent different designs of the application, none of which may ever reach the competitive marketplace. Studies examining the social competence of entrepreneurs who were attempting to enact patented or prototyped products would enhance scholarly understanding of the creation process. While evidence exists suggesting that social competence would positively enhance entrepreneurs' ability to enact

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prototyped ideas (e.g., Baron, 2007; Choi and Shepherd, 2005), additional work is needed to better understand the social competence/idea enactment relationship. For instance, what specific social competencies are associated with successful enactment? Expressiveness would seem to be valuable to clearly explain the objectified idea (e.g., Baron and Markman, 2000), whereas persuasion is likely needed to convince stakeholders to take a chance on the proposed venture (e.g., Zimmerman and Zeitz, 2002) and political skill may help entrepreneurs manage the varying interests of different categories of stakeholders (e.g., Tocher *et al*., 2012). However, studies matching specific competencies with the different stages of the creation process are scant. Given this, scholars should independently examine a variety of social competencies to enhance our understanding of the social competence/idea enactment relationship.

Further, considering the importance of social resources within the opportunity-creation process, scholars should examine what additional steps the entrepreneurship support community (i.e., scholars, educators, researchers, incubators, small business development centers, etc.) can take to help highly intelligent entrepreneurs develop and leverage their social resources. For example, scholars and educators may want to review and modify the manner in which they teach students about opportunity origination and business planning. Teaching strategies certainly tilt toward the discovery approach, with most textbooks and supporting materials emphasizing such things as opportunity recognition, accurate business planning, and resource acquisition prior to launch (e.g., Alvarez and Barney, 2007, 2014). While we recognize the importance of the current approach, given the growing research stream supporting the creation process (e.g., Dimov, 2011; Sarasvathy, 2001), discussion on the creation process should not be absent from the classroom. Perhaps students can be asked to brainstorm ideas for future businesses early in a principles of entrepreneurship class and then bounce their ideas off a variety of individuals (i.e., existing businesses within the industry, regulators, potential financiers, and consumers) each week throughout the term. Instead of writing a detailed business plan, students could instead be asked to write a one-page summary of their idea on the first day of class and then modify this one-page summary, if necessary, each week after discussing the idea with different groups of people. At the end of the semester, students could be asked to write a paper comparing their original idea with the resulting idea and reflect on whether or not they would launch the product. This type of exercise would encourage students to continually adapt their ideas and allow researchers to empirically examine aspects of the opportunity-creation process.

Similarly, incubators and small business development centers (SBDCs) could encourage entrepreneurs to document their original ideas and undertake opportunity-creation methods similar to those discussed in the classroom example earlier. Prior to business planning, entrepreneurs would be encouraged to discuss their conceptualized ideas with their bridging ties and continually document how their ideas change after such conversations. Ironically, many entrepreneurs live in fear of someone else stealing their ideas and, thus, are highly concerned with secrecy, nondisclosure agreements, protecting intellectual property, etc. Interestingly, while creation theory asserts that opportunities are developed over time through a path- dependent social interaction process (e.g., Alvarez and Barney, 2014; Wood and McKinley, 2010), many entrepreneurial support centers such as SBDCs and incubators seem to encourage secrecy and limit social exchange, which may hinder the opportunity-creation process (Dimov, 2011). Thus, scholars should strongly consider conducting comparison studies of education and incubator programs that utilize discovery and creation approaches to determine which approach facilitates increased entrepreneurial action. Several scholars (e.g., Klein, 2008; McMullen and Shepherd, 2006) posit that regardless of whether opportunities are discovered or created, entrepreneurial action is the critical unit of analysis because without entrepreneurial action, new opportunities will never emerge. Research examining these questions will help to fully substantiate the claim advanced in this article that entrepreneur social resources are perhaps the key catalyst to the opportunity-creation process.

CONCLUSION

The most compelling argument in this article is that social resources are fundamental to opportunity creation. The application of constructivist principles to the study of opportunity origination suggests that ideas for new market offerings are created over time via a path-dependent, socially complex, iterative process between entrepreneurs and interested parties

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(Foss *et al*. 2008; Wood and McKinley, 2010). Given this, we posit that since social resources will facilitate the entrepreneur's ability to navigate the complex interaction process needed to move imagined business ideas toward market realities, such resources allow the creation of unique and novel businesses that, without the influence of social resources, would likely not be created. Such thinking advances the literature by suggesting that in addition to examining how social resources expedite entrepreneurs' ability to identify existing opportunities, scholars must also examine the process by which entrepreneurs leverage social resources toward opportunity creation. We further argue that a lack of social resources is likely one of the main reasons why countless technically brilliant new business ideas are never enacted. As such, we feel the arguments presented throughout this article suggest that social resources are just as critical, if not more critical, to an entrepreneur's ability to establish new businesses than are knowledge, human capital, and tangible resources. Given our arguments, it appears that entrepreneurs should consider taking steps to enhance their social resources at the same time they are conceptualizing new venture ideas. We freely acknowledge that an infinite number of factors influence whether an idea actually becomes an operating business. That said, we strongly suggest that entrepreneur social resources are a key component of the venture-creation process.

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