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## Adding “Social” to Entrepreneurial Opportunities: Social Capital and Social Entrepreneurship Opportunity Emergence

Social entrepreneurial ecosystem

The bonding effects of social capital in integrating conflicting institutional logics in social entrepreneurship

An ecosystem probably means that the relationship is dynamic and adaptive to external environment

In entrepreneurship research, it has been well studied that social capital contributes to entrepreneurial process, resource acquisition, entrepreneurial learning and performance. But not too much research has looked at the relations between social capital and opportunity development in the context of social entrepreneurship. The purpose of this paper is to analyse how social entrepreneurship opportunity emerge from a critical realist perspective. We use critical realism as an underpinning philosophy as it addresses the equal importance of social structure and agency, therefore overcomes some of the ontological challenges that existing entrepreneurial opportunity theories (entrepreneur-opportunity nexus and effectuation) face. We select China as the geographic context as: 1) the economic transition has led to numerous opportunities for social enterprises; and 2) As a highly relation-oriented society, China provides a great setting to examine the effects of social capital. Empirically, we examine entrepreneurial opportunities from three aspects suggested by Dimov (2011): venture business ideas, entrepreneurial actions and social market exchange relations. We conducted 45 in-depth interviews with Chinese social entrepreneurs, their employees and other key stakeholders in 29 organisations in Beijing and Shanghai. We found that social entrepreneurship opportunities emerge as a result of three mechanisms, sparking, manifesting and scaling, through which social entrepreneurs use their social capital to obtain various information, knowledge, market access, business resources, power and influence. These findings suggest that SE opportunities are likely to be the result of the collective agency. As a result, SE opportunities may be better studied or understood at the collective or group level. In addition, researchers should also consider the duality of the term “social” in SE. While traditionally the term “social” is concerned with SE as focusing on social missions, future SE research might embrace another aspect of the “social” – the collective manner in which social entrepreneurs carry out their activities. This paper contributes to the theoretical development of the entrepreneurship opportunity literature and further understanding of social entrepreneurship opportunity emergence in China.

In this paper, we surpass the above debate by acknowledging critical realism as a useful philosophy that accommodates the ontological intuitions of both discovery and creation views (L. Martin & Wilson, 2014; Ramoglou & Tsang, 2015). Critical realism adopts a stratified ontology based on its “three domains of reality” assumption (Bhaskar, 1978), that is, the world does not only consist of realities which are readily observable, but also “deeper” realities of unobservable causal powers and structures which can exist in the forms of being either actualised or unactualised. If an opportunity is a situations in which it is *possible* to recombine resources to generate profits (Shane, 2012), then the opportunity can be seen as a propensity – an unactualised causal power that, when actualised through human agency, can manifest itself as a profitable products or services that fulfil market demands (Ramoglou & Tsang, 2015). In this view, the opportunity sits in a deeper domain as unactualised causal power that can exist objectively and independently from human agency, while its actualisation and manifestation is a subjective matter which certainly involves human creation.

As a propensity, an opportunity may not be readily observable. However, we can make cognitive contact with it and perceive its existence through observation of its effects in the domain of empirical (Bhaskar, 1978; Zachariadis, Scott, & Barrett, 2010), this is like knowing the dancer from the dance. Critical realism does acknowledge that “observability may make us more confident about what we think exists”, but “existence itself is not dependent on it” (Sayer, 2000, p. 12).

But how can we observe the dance from which we know the dancer rather than something else? To understand an unactualised opportunity from observable entrepreneurial activities, it is essential that we distinguish observations on the way how an opportunity come to exist from the chain of events that follows the emergence of the opportunity (Sanders,

2007). And only in this way we can ensure that “whether what is observed empirically indeed constitutes or is oriented toward an entrepreneurial opportunity” (Dimov, 2011, p. 59). Ramoglou and Tsang (2015, p. 425) suggest that entrepreneurs make cognitive contact with opportunities from:

*S1: Imagining the state of the world in which one makes profit after engaging in an entrepreneurial course of action;*  
*S2: Believing this state of the world as ontologically possible; and*  
*S3: After the realisation of profits, knowing retrospectively that an opportunity was truly there*

Starting from this understanding, we can detect an opportunity from at least three observable aspects in the opportunity actualisation process: 1) an entrepreneur’s imagination, belief and knowledge; 2) the entrepreneurial course of action that the entrepreneur engages in; and 3) the ways how profits are realised. To guide our empirical examination of opportunities on these three aspects, we follow Dimov’s (2011) suggestions on the three units of observing opportunities: seed venture ideas, entrepreneurial actions, and the nature of market exchange relationships. What follows is an explanation of how these units of observation have been used to guide this empirical investigation.

First, we consider entrepreneurial opportunities are actualised through unfolding from venture ideas. Dimov (2011) argues that an entrepreneurial opportunity can be examined by asking why the particular idea underlying it, no matter whether it is actively pursued or gradually articulated, can be formed. He argued that answering this question requires attention to the interactions between entrepreneurs and their surrounding environment. Second, we focus on the specific actions used as a seed venture idea is developed and enacted. A venture idea alone cannot be considered as an entrepreneurial opportunity (Venkataraman et al., 2012) until the entrepreneur acts upon the real world. Therefore, actions are regarded as the empirical footprints of opportunities. Dimov (2011) draws particular attention to three antecedent conditions surrounding the action: available resources

enabling action; decision making processes triggering action; and the purpose of actions. Third, we consider the actualisation of opportunities, along with the realisation of profits, is accompanied by the development of market exchange relationships. From this perspective an unactualised opportunity can be seen as a vision of future market relationships, and when the profits are generated from these exchange relationships, then we know retrospectively that the opportunity is truly actualised.

<b>Table 1 The Discovery and Creation Theories Compared</b>		
	<b>The Discovery View</b>	<b>The Creation View</b>
<b>Theories</b>	Individual/Opportunity Nexus (Shane, 2000; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010; Shane, 2012; Eckhardt & Shane, 2013)	Effectuation (Sarasvathy, 2001, 2008; Sarasvathy et al., 2014)
<b>Central Question</b>	How should entrepreneurs act to exploit pre-existing opportunities?	How do entrepreneurs act to create opportunities?
<b>Central Argument</b>	Objective existence determined by structural changes, independent of agency but conditioned by social norms and beliefs	Created through human actions and interactions
<b>The Role of Entrepreneurs</b>	Alert individuals form means-ends frameworks to capitalise information asymmetry and believe the ends can be achieved via agency	Individuals start with resources at hand, form ideas and beliefs, and act towards unspecified and vague goals
<b>Structure/Agency relations</b>	<ul style="list-style-type: none"> <li>• Social Fact Paradigm</li> </ul>	<ul style="list-style-type: none"> <li>• Agency Paradigm</li> </ul>

