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DOI:  
[10.5367/ijei.2015.0189](https://doi.org/10.5367/ijei.2015.0189)

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication record in King's Research Portal](#)

*Citation for published version (APA):*  
Wilson, N., & Martin, L. (2015). Entrepreneurial Opportunities For All? Entrepreneurial capability and the Capabilities Approach. *International Journal of Entrepreneurship & Innovation*, 16(3), 159-169.  
<https://doi.org/10.5367/ijei.2015.0189>

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# Entrepreneurial opportunities for all?

## Entrepreneurial capability and the Capabilities Approach

Nick Wilson and Lee Martin

**Abstract:** *This paper considers the freedom of each and every one of us to choose to pursue entrepreneurial opportunities – that is, to practise entrepreneurship – should we wish to do so. Drawing on the Capabilities Approach, a novel conceptualization of entrepreneurial capability is put forward as the individual freedom to pursue an entrepreneurial opportunity within one’s environment. In shifting analytical attention away from empirical cases of entrepreneurs (that is, those identified post hoc with successfully pursuing an entrepreneurial opportunity) and exploring the potential (or otherwise) of any individual to pursue entrepreneurship in theory, we are forced to ask what is specific about entrepreneurial opportunities and whether they can be pursued by anyone. Our resulting conception of entrepreneurial capability introduces seven universal and necessary conditions for this distinctive type of freedom to be present. The significance of this conceptualization of entrepreneurial capability for entrepreneurship theory and economic and human development policy is discussed.*

**Keywords:** *entrepreneurial capability; freedom; opportunity theory; human development; Capabilities Approach*

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Much empirical work on entrepreneurial capabilities tends to measure and understand outcomes (for example, Verrest, 2013). That is to say, those being studied tend to be already engaged with entrepreneurship in some way. The implicit assumption in this type of research is that these individuals had the necessary freedoms to choose whether to pursue or develop their perceived entrepreneurial opportunity. In this paper we

build on the growing body of research that emphasizes the need to ask how many members of society do *not* have such freedoms. Whilst important contributions have been made to our understanding of this question (see Verdujin *et al*, 2014), particularly where issues of race, gender and disadvantage can restrict opportunities for particular social groups (for example, Blackburn and Ram, 2006; Carter and Rosa, 1998; Jones *et al*, 2012;

Marlow and Patton, 2005; Ram and Jones, 1998; Ram *et al.*, 2008; Smith and Air, 2012), the specific conditions under which an individual might have the necessary freedoms to undertake entrepreneurial action are yet to be made clear. This work addresses this issue.

There are a number of conceptual hurdles to specifying the freedoms required for pursuing entrepreneurial opportunities. At the broadest level, there is a need to account for what distinguishes entrepreneurship from other activities and, therefore, entrepreneurial opportunities from opportunities in general. As the discourse of entrepreneurship has become increasingly popular in recent years, so more activities, interests and applied contexts have the adjective 'entrepreneurial' attached to them. Indeed, there appears to be a growing gulf between the traditional functionalist economics perspective on the one hand, which sees entrepreneurship as part of the explanation of capitalistic profit-seeking behaviour, and the interpretivist perspective on the other, which is grounded in a socially constructed entrepreneurial subjectivity and the application of entrepreneurial behaviours in ever more specific contexts – green, social, institutional, educational and cultural entrepreneurship. Yet entrepreneurship theory rarely suggests that entrepreneurship requires any specific antecedent conditions to be met in order for it to take place.

Theorizing about when entrepreneurial opportunity-seeking behaviours might actually be possible, and when they are not for any given individual, has received little attention. In part this is because doing so requires specifying boundary conditions at both individual and structural levels for entrepreneurial opportunities and, indeed, entrepreneurship. A key issue is understanding the complex interplay between endogenous (internal to the person) and exogenous (external to the person) factors in explaining entrepreneurial behaviours and practice. Such understanding is particularly important in overcoming a prevailing discourse that entrepreneurial opportunities are necessarily only available to a few people, rather than all social groups. At stake is the dispositional nature of entrepreneurial practice, whereby real freedoms and possibilities exist and have real effects on the abilities of those involved to choose and act. Nowhere is this concern with freedoms and possibilities in the context of welfare economics more evident, and indeed better theorized, than in the Capabilities Approach, conceived in the 1980s by Amartya Sen (and subsequently in collaboration with Martha Nussbaum). Our objective in this paper is to offer a new perspective on entrepreneurship theory that draws directly upon the Capabilities Approach to explore the freedoms individuals have to pursue and develop entrepreneurial opportunities.

## The Capabilities Approach

The Capabilities Approach (CA), or Human Development Approach (HDA) (Deneulin and Shahani, 2009; Nussbaum, 2000, 2011; Nussbaum and Sen, 1993; Sen, 1989, 1992, 1993, 1998, 1999) explores the well-being of individuals not through what they already have, but in terms of the possibilities for choosing to do or be other than what they already do or are. Nussbaum's (2011) theory of development emphasizes the importance of individual differences in the ability to transform resources into valuable activities (see also Hicks, 1997). As such, it has a concern for the distribution of freedoms in society. Its focus, then, is on the nature of freedom *per se*.

The CA develops an explicit interest in the individual's freedom to choose and act whilst attempting to answer the question 'What is this person able to do and be?' (Nussbaum, 2011, p 20). The central premise of the CA is that although individuals have the potential or capacity 'to do and be' many things, they do not always have the freedom to follow these things through, should they wish to. Indeed, very different kinds of opportunities are accessible to people living under different regimes, countries and cultures. In more recent iterations of the CA, Nussbaum has put forward a list of 10 'central capabilities' that are deemed universally important for human dignity. These include such fundamental capabilities as 'life', 'bodily health' and 'sense, imagination and thought', as well as more socially oriented capabilities such as 'play' or 'control over one's environment' (the full list of Central Capabilities is: life; bodily health; bodily integrity; senses, imagination, and thought; emotions; practical reason; affiliation; other species; play; control over one's environment (A) political, and (B) material – see Nussbaum, 2011, pp 33–34). Nussbaum argues that these capabilities are normative and should not be considered unchanging, or as being closed to revision given greater cultural understanding. Sayer (2011) holds that the CA challenges us to take a position on where we stand in terms of human values. He argues that the power of the approach is not its contribution to abstract philosophical debates about human rights and freedom, but rather its challenge to consider what these freedoms might be in particular contexts.

## Introducing entrepreneurial capability

The majority of academic papers adopting the term 'entrepreneurial capability' are written at the level of the firm, and build on literature predominantly in the context of strategic management and the resource-based view (RBV) of the firm. For example, we find it in the context of strategic management (Alvarez and Busenitz,

2001; Robeyns, 2005; Sirmon *et al.*, 2007); competitive advantage and intrapreneurship (Zahra *et al.*, 2011); dynamic capabilities (Teece, 2009; Wu, 2007; Harris *et al.*, 2013); and international entrepreneurship (Karra *et al.*, 2008; Zhang *et al.*, 2009).

Capabilities here are generally defined in terms of resources, that is: 'stocks of available factors that are owned or controlled by the firm' and capabilities, that is: 'a firm's capacity to deploy [r]esources, usually in combination, using organizational processes, to effect a desired end' (Amit and Schoemaker, 1993, p 35). Makadok (2001, p 389) defines capabilities as 'a special type of resource, specifically an organisationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm'. Essentially, it is the bundling of the resources that builds capabilities (Sirmon *et al.*, 2007). The emphasis in entrepreneurship theory is on developing productivity, profitability and competitive advantage (reflecting the literature on the RBV). However, there is also an allied tradition that treats the capability more as an internal resource of the individual. Examples can be found in respect of the psychology of the entrepreneur (Busenitz and Arthurs, 2007); entrepreneurial learning (Rae and Carswell, 2001); entrepreneurial perceptions (Kor *et al.*, 2007) and entrepreneurial self-efficacy (Chen *et al.*, 1998).

For entrepreneurial capability to be understood within the framework of the CA, it would need to focus on the freedoms individuals have to pursue entrepreneurship. This requires an understanding of the conditions that must, as a minimum, be in place in order for entrepreneurship to be possible. For the CA approach, these conditions would serve as a framework for exploring the relative health of a society (and economy) in terms of the freedom it can offer individuals. In the context of entrepreneurship, entrepreneurial capability can be defined as the freedom of an individual to pursue and develop an entrepreneurial opportunity within his or her environment. Over and above the contextual factors involved, this freedom is always dependent upon a distinctive set of other freedoms (other capabilities) that result from the interaction of structure and agency. The next section of the paper prepares the ground for a conceptual understanding of what these freedoms might be, and provides direction on what type of favourable situations are designated by the 'entrepreneurial opportunity'.

### **Pursuing and developing entrepreneurial opportunities**

Despite the considerable attention received, the existence and importance of entrepreneurial opportunities remains a matter of debate, with theorists continuing to

take quite divergent views. Their contrasting positions have been traced back to Kirzner (1973) and also to Schumpeter (1934), designated as the 'weak and strong premises of entrepreneurship' respectively (Sarasvathy, 2008). Entrepreneurship theorists have drawn a clear-cut distinction between a 'discovery' perspective on the one hand, which emphasizes the objective nature of opportunities (see Mole and Mole, 2010; Shane and Venkataraman, 2000), and a 'creation' perspective on the other hand, which suggests that opportunities are subjective in nature and brought into existence through the actions and sense-making of entrepreneurial actors (see Buchanan and Vanberg, 1991; Chiles *et al.*, 2007; Dimov, 2007; Gartner, 1985; Sarason *et al.*, 2006, 2010; Sarasvathy, 2001; Sarasvathy *et al.*, 2003; Venkataraman *et al.*, 2012). Critically, these positions are held to be contradictory (Alvarez and Barney, 2007; McMullen and Shepherd, 2006).

Helpfully, the CA enables a distinctively different approach to understanding opportunity by focusing on the substantive freedoms people have to do and act. This brings attention towards specifying the conditions for such freedoms rather than on a debate over when and how opportunities might exist. Leaving aside the particular focus on entrepreneurship in this paper, it is helpful to consider the nature of 'opportunities' in general in order to demonstrate why an opportunity is not merely a possibility by another name. Opportunities must be considered to be socially constructed, as to talk of opportunities outside of the social realm would be meaningless (Fletcher, 2006). This is because it is difficult to describe a situation as an opportunity without reference to a motive, intent or perceived goal. Opportunities exist precisely because they are for someone, and by extension, for something. The consequence of this is that an opportunity and a possibility cannot be considered synonymous. An apple falling off a tree only becomes an opportunity if someone wishes to eat it. Opportunities may be constituted by possibilities, but must involve more than this: they are an interaction between structural possibilities and agential action. More specifically, opportunities are always particular combinations of possibilities that need specifying. For example, even if it is theoretically possible for the majority of people to attend university, the opportunity only exists for some, due in part to restricted supply. It follows that the right kinds of possibility must exist and interact for someone to have a particular opportunity. Subsequently, opportunities (in general) require a combination of possibilities to come together, through chance, through individual action and through the actions of others, to constitute a favourable situation. It is here that the CA can be useful in theorizing the freedoms required for an individual to pursue and develop entrepreneurial opportunities.

## **Entrepreneurial capability as a higher-order combined capability**

In the CA, it is the interaction of structure and agency that is important for the formation of capabilities. Nussbaum refers to these as ‘combined capabilities’. In effect, these are the ‘totality of the opportunities [one] has for choice and action in [one’s] specific, political, social, and economic situation’ (Nussbaum, 2011, p 21). Combined capabilities are distinguished from ‘internal capabilities’ that are fluid and dynamic states of the person. In Western societies, a normative but key role of society is to support and develop the internal capabilities of its citizens through ‘education, resources to enhance physical and emotional health, support for family care and love’, etc (Nussbaum, 2011, p 21). Crucially, the CA argues that whilst any given society may actually be quite good at developing internal capabilities, it may not provide the opportunity to turn capabilities into ‘functionings’ (or the opportunity to use a capability). For example, many societies educate people to a level at which they are more than capable of free speech on a wide range of issues (internally), but government censorship acts to deny free speech in practice.

Equally, it may be that, on the one hand, a society fosters the kind of entrepreneurial training that promotes entrepreneurial behaviours (risk taking, networking, effectual decision making, resource leverage, etc), but ultimately this will prove fruitless if its economic environment is characterized by, for example, high barriers to entry, racism, sexism, disadvantage and a regulatory regime that prevents individuals from developing new ventures. The CA therefore stresses that ‘combined capabilities’ are defined in terms of ‘internal capabilities plus the social/political/economic conditions in which functioning can actually be chosen’ (Nussbaum, 2011, p 22). Any society producing combined capabilities will necessarily also be producing internal capabilities. Hence, the freedom to pursue entrepreneurship must also involve the development of internal capabilities and the opportunity to perform them. The existence of entrepreneurial capability can then be understood as a higher-order combined capability: that is, a combined capability which is, in turn, dependent upon a range of other capabilities, both combined and internal. If the necessary conditions for pursuing an entrepreneurial opportunity are to be understood, then our next task must be to theorize which combined and internal capabilities are specific to the existence of entrepreneurial capability.

## **Entrepreneurial capability: introducing seven conditions**

Entrepreneurship theory actually provides clear direction as to what the conditions necessary for the freedom to practise entrepreneurship might be (see Eckhardt and Shane, 2003; Shane, 2012; Shane and Venkataraman, 2000; Venkataraman, 1997; Autio *et al.*, 2014). For example, existing definitions of entrepreneurial opportunities, with their roots in economic theory, contain implicit boundary conditions that relate to the anticipated outcomes of entrepreneurship – that is, new products, services, new means, ends, means–ends relationships, access to markets, etc (see Casson, 1982; Corbett, 2007; Dimov, 2011). Analytically, these can now be divided into either combined capabilities (those emphasizing exogenous conditions), including market circumstances, resource access and recombination, technological advances, political changes, population changes and external innovation within their definitions, or internal capabilities (those emphasizing endogenous conditions), including prior knowledge, creativity, risk taking, motivation and/or intention, self-efficacy, sense-making and propensity for action.

### *Three necessary combined capabilities*

What follows is an initial attempt to identify which capabilities (combined and internal) are necessary for the existence of entrepreneurial capability: that is, the freedom to pursue and develop an entrepreneurial opportunity in one’s environment. Taking economic theory as espoused in Western capitalist economies as our starting point (albeit recognizing that other vantage points might provide helpful alternative theoretical perspectives in the future), we begin by positing the existence of three combined capabilities:

- (1) the possibility of recombining resources (requiring both access and organization);
- (2) the possibility of transactional (market) exchange; and
- (3) the possibility of appropriating profits or value.

In abstraction, when any one of these conditions is not extant for a particular individual, there cannot be the freedom to take entrepreneurial action through developing a perceived opportunity. One may have an idea for a potentially novel product, but if there is no possibility of either accessing or combining the required resources, or exchanging the product via some kind of transaction (usually via the market) and appropriating the profits in the process, then this will remain just a possibility, not a freedom to pursue entrepreneurship. Taking each in turn, it is possible to sketch out why each combined capability is essential for the freedom to pursue entrepreneurship.

First, the possibility of recombining resources encompasses the many types of resources necessary to develop an opportunity, and recognizes the need for both access to these and the need to combine them – which are dependent upon the individual’s structural relations, position in society, etc. This possibility is not automatic for all citizens. Some, through no fault of their own, will lack access to finance, some will lack the ability to recruit or develop appropriate knowledge, some suppliers will not offer favourable terms to a market newcomer, and regulation may prevent a market being accessed by new individuals or organizations (for example, forming a new bank in the financial sector). Clearly, being in a position to access and recombine resources is built upon other possibilities and freedoms to take action (including the endogenous conditions associated with the entrepreneurial project that we will discuss shortly). However, it is the structural ability to recombine resources that is unique to entrepreneurship and makes this a necessary possibility for the freedom to pursue it. So, to take only one example, market regulation, or a lack of it, does not in itself necessarily prevent the freedom to pursue entrepreneurship, but lacking the ability to recombine resources will do.

Second, the possibility of transactional (market) exchange, following the development of a new idea or venture, is also an essential freedom for entrepreneurship. Buying goods is a necessary possibility to access and recombine resources of course, and so this possibility, in part, also constitutes the first condition. However, it is also a separate and unique possibility essential to entrepreneurship when it comes to selling the combined resources. Whether that be a product, service or process, an entrepreneur is required to seek revenue from his or her resources through transactional exchange of some kind. Given that the possibility of transactional exchange for newly introduced goods and services is not necessarily available to all, this is a second necessary possibility that makes up the freedom to pursue entrepreneurship. Some markets require access to appropriate social capital for successful exchange to occur: for example, defence contracts can require access to senior military officials. High barriers to entry, regulation and competitors can actively prevent newcomers from entering a market, and trade law can prevent the selling of goods across international borders. Without the possibility to sell newly introduced goods (within a particular context) there can be no freedom to pursue entrepreneurship.

It is important to stress that in making this argument we are not overlooking the importance of other possibilities and freedoms necessary for the existence of a market *per se* (for example, trust and private property enshrined in law); rather, we highlight the centrality of

the possibility of exchange for any individual pursuing entrepreneurship. Furthermore, by bracketing ‘market’ in our list of central possibilities, we are indicating that the normal context for such transactional exchange is indeed the market. We acknowledge that the possibility of pursuing entrepreneurial opportunity on the fringes of a market (or even beyond it altogether; see Valliere and Gegenhuber, 2014) challenges this specific boundary condition on one level. Nevertheless, the transactional exchange involved in ‘selling’ remains central.

Third is the possibility of appropriating profits or value. This is also composed of many other possibilities, but it serves as another defining feature of the freedom to act entrepreneurially. In monetary terms, an entrepreneur must make a profit from his or her recombination activities. However, some individuals will be more able to make profits than others. Take, for example, the idea for an online-only supermarket that uses low price, rather than quality, as its unique selling point. For low prices to be achieved, the ‘online’ costs would need to be significantly lower than traditional retail costs and the company would need favourable terms from suppliers of groceries that are normally reserved for organizations that order in bulk. Given that online costs have been demonstrated to be lower than traditional retail in other sectors, the need to gain low ‘bulk-order prices’ would be essential for a profit to be made in this example. Those with access to large amounts of finance may have the possibility to purchase in bulk; those without will not. Without bulk ordering, there could be no profits, and the freedom to pursue this particular entrepreneurial opportunity would not be present. Whilst in this example, access to finance determines whether profits are available, this is not always the case. It is, however, the case that the freedom to pursue entrepreneurship always requires the possibility of making a profit (whether or not that materializes). The inclusion of ‘value’ in our definition recognizes that profit is not the only form of return entrepreneurs may wish to appropriate (for example, social value).

These three combined capabilities are proposed as the minimum exogenous conditions to begin the process of theory development whilst drawing on the CA. There could be more conditions, but moving beyond these abstract conditions requires exploration within specific contexts. Some communities will need more basic conditions to be met before they can be considered as having freedom (such as education, health, political freedom). The novelty of these three conditions is that they can work as a unifying theory for understanding entrepreneurship in different contexts (for example, Western capitalism and developing economies), as in all capitalist economies, regardless of context, the proposition is that these are necessary for the freedom to pursue entrepreneurship.

*Four necessary internal capabilities*

The three combined capabilities just discussed are not sufficient on their own for the freedom to pursue entrepreneurship to exist. The CA also requires a set of internal capabilities to be specified. Here, realist social theory and Archer's (2003) ideas on agential projects can guide understanding of the mediating role that human agency plays in social transformation (for example, Mole and Mole, 2010). To set out what the minimum internal conditions might be, Archer's concept of the 'agential project' can be used to identify the internal capabilities necessary for reflexive action and social transformation. Archer (2003, p 6) outlines the agential project as 'an end that is desired, however tentatively or nebulously, and also some notion, however imprecise, of the course of action through which to accomplish it'. The agential project is in a constant state of change, being reproduced and/or transformed through the actions of those involved. In its early stages it may well comprise an end (or ends) that remain loosely articulated, as tacit rather than explicit knowledge (Nonaka and Takeuchi, 1995). This is consistent with the logic of effectuation, which draws attention to this nature of unfolding and 'unspecified ends' (see Sarasvathy, 2001). As the project develops, it can take on an explicit form; it is codified (for example, in the form of a business plan or strategy), and can assume 'a life of its own'. For Archer (2003), the conditions necessary for the pursuit of any agential project will always entail a minimum of three internal capabilities: reflexivity, intentionality and performativity. To the extent that entrepreneurship gives rise to innovative new products and services that are both novel and valuable, and which result from the recombination of resources, an entrepreneurial project must also be dependent upon human creativity (Ward, 2004; Martin and Wilson, 2014). Drawing on Archer's logic and this recognition of the role of creativity means that the freedom to pursue entrepreneurship requires the following internal capabilities to be present:

- (1) entrepreneurial reflexivity;
- (2) entrepreneurial performance;
- (3) entrepreneurial creativity; and
- (4) entrepreneurial intent.

The human capacity for reflexivity underpins the strategic decision-making process and is dependent upon prior knowledge, particularly in the context of entrepreneurship. Without reflexivity, the entrepreneur would not 'spot' or 'develop' any opportunity. Archer's (2003, p 161, and 2007, p 91) conceptualization of reflexivity as a personal emergent property offers entrepreneurship scholars a theoretical understanding of the types of mental activities involved. Entrepreneurial

subjects converse with themselves through planning, rehearsing, mulling over, deciding, reliving, prioritizing, imagining, clarifying, establishing imaginary conversations and budgeting (Caetano, 2014, p 9). These offer the potential for research that explores which is most salient in which contexts of the entrepreneurial project. Some clues might be found in Archer's further distinction between four modes of reflexivity: communicative, autonomous, meta and fractured (Caetano, 2014, p 3). Whilst communicative reflexivity requires confirmation from others, autonomous reflexivity is defined in terms of self-contained inner dialogues that lead directly to action without the need for validation by other individuals. Tempting though it might be to link this mode with that of the autonomous entrepreneur, such a list (in keeping with the spirit of the CA) indicates the variety of personal responses that might be necessary in any given context of entrepreneurship. Furthermore, whilst reflexivity is a necessary and universal condition for any action, the specific types of reflexivity (such as planning skills, financial know-how, management strategy, social skills) can only be identified with reference to a particular case of entrepreneurship within a particular context (Cox, 2014).

The second necessary condition recognizes that there can be no entrepreneurship without action. Entrepreneurship involves doing, and performance is essential to the freedom to pursue entrepreneurship. Clearly, the type of performance required will vary from context to context, and as the cultural, structural and economic conditions of a region vary, so will the type of action required. The CA directs attention to specify what these action capabilities might be within a particular industry or region and to measure how much of the population can realistically be expected to develop these capabilities. The third condition generally agreed upon within existing theory is creativity, which appears to be a distinctive condition of entrepreneurship, given the focus on novelty and value (see Manimala, 2009; Sternberg and Lubart, 1999). In order for social possibilities to be combined into something novel and economically valuable, a venture idea must be formed. Human creativity can therefore be argued to be a necessary capability for the freedom to pursue entrepreneurship. Here again, there is a need to recognize the overlap with other internal capabilities. For example, 'imagining' is a type of mental activity associated with reflexivity, which is regarded as an ingredient for creativity and is also a 'central capability' on Nussbaum's (2011) list. Imagination though can be put to many uses, such as reflexive (as detailed above) and playful ones. Whilst creativity also requires imagination, it is only one of the components that make up this capability. Our choice to include creativity as a specific

internal capability necessary for the freedom to pursue entrepreneurship is in respect of creativity's association with both novelty and value, which must be recognized before and after the entrepreneurial event (see Stokes *et al.*, 2010, pp 34–35).

The final necessary internal capability recognizes that intent is a part of any freedom to pursue entrepreneurship. Understanding how a passion or drive to pursue or develop an opportunity is fostered or hindered is already an important object of investigation (Barron, 2008; Cardon *et al.*, 2012). However, the CA directs us to ask questions on which individuals decide not to take entrepreneurial action and why that might be (for example, they lack self-efficacy, have a sense of fatalism, or have an inability to take risks due to financial constraints, and so on). Importantly, because the CA recognizes the difference between an internal capability and its functioning, it suggests that many can have an abstract intention to pursue entrepreneurship but then will not do so. The conditions that prevent this abstract intention becoming something that brings about entrepreneurial action or, in the terms of the CA, turns into a 'fertile functioning', are not fully explicated within existing theory. This is a crucial omission. A lack of intention can often be considered synonymous with not valuing or wishing to pursue entrepreneurship, but for disadvantaged groups a lack of intention can represent a realistic response to structural barriers. The inclusion of this internal capability in our list recognizes that there is a crucial difference between someone having the freedom to pursue entrepreneurship and choosing not to and someone who lacks the freedom to pursue entrepreneurship and therefore does not consider it a viable intention. Recognizing intent as a necessary condition for the freedom to pursue entrepreneurship can direct attention to these important differences.

When in place, the seven combined and internal capabilities outlined here make up the capability for entrepreneurship, and therefore form an initial sketch of the boundary conditions for the freedom to pursue and develop an entrepreneurial opportunity. Whilst this conception of entrepreneurial capability can be applied to understand those we already label as 'entrepreneurs', its strength is that it offers a framework with which to investigate those who are not entrepreneurs and ask whether they have the freedom to become one. Unifying such research under the umbrella of human capability assessment enables the exploration of how it is possible to identify both the readiness of individuals within a region to pursue entrepreneurship and a route to gain evidence for policy makers on how to support social inclusion (for example, through widening access to the educational and learning experiences that enable these seven capabilities to develop and be performed).

Subsequently, using the CA to explore the freedom to pursue entrepreneurship can help merge the interests of human development and entrepreneurship theory and policy.

## **Discussion**

In their work on capabilities and the Human Development Approach, Sen (1993) and Nussbaum (2011) remind us that the freedoms we have can be restricted by accident of birth. Subsequently, the interpretation of CA theory presented here attempts to link economic and human development theory through suggesting that entrepreneurship theory should not only be concerned with the interests of practising entrepreneurs, but must also take into account the entrepreneurial freedoms afforded to each individual, whoever they are and wherever they live. It is therefore a deeply humanist theoretical framework. Affording greater theoretical attention to entrepreneurial capability (a combined capability as defined through the CA) can also enhance the ability of policy makers to consider the humanist aims of enabling equality of opportunity at the same time as focusing on economic aims, as both can be achieved through identifying just how much freedom there is to pursue entrepreneurship.

Of course, the linking of entrepreneurship and the CA is not an uncontentious project to undertake. Some might wish to challenge the appropriateness of putting entrepreneurship on the same footing as the right to life, bodily health, our senses, imagination, thought, emotions and so on. But then, Nussbaum's normative list does already include quite different types of capability (including political and material control, practical reason, affiliation and play). As she is keen to point out, 'The irreducible heterogeneity of the Central Capabilities is extremely important. A nation cannot satisfy the need for one capability by giving people a large amount of another.' (Nussbaum, 2011, p 35) Understandably, critical entrepreneurship theorists might also want to challenge the implication that entrepreneurship is a positive human endeavour (see Jones and Spicer, 2009). On this point, we argue that in a society where the opportunity for (large) financial rewards is afforded to those who start successful businesses, a barrier to human development exists if a particular group or social class has differential access to such pursuits; this is regardless of any wider debates over the fairness of the distribution of such rewards. The little research that has been conducted into entrepreneurship and the Human Development Approach suggests that societal well-being can improve as a larger percentage of people gain access to and are able to exploit such opportunities (Gries and Naudé, 2011). Whatever the case in practice, the focus



of this work is on developing a framework to understand the barriers to a person's freedom to choose this pursuit in the first place.

Through applying the CA to the domain of entrepreneurship, this paper has made three specific conceptual contributions. First, the conception of entrepreneurial capability as the freedom to choose to pursue and develop entrepreneurial opportunities is proposed. Second, the principle that the freedom to pursue and develop entrepreneurial opportunities is dependent upon a set of both combined and internal conditions necessary for the pursuit or development of any such opportunity was highlighted and seven conditions necessary for the existence of this freedom were identified. Third, together these insights provide a new framework for empirically exploring these freedoms as well the ability to undertake assessments of the readiness of any individual (and by extension, groups or organizations) to develop his or her entrepreneurial capabilities. Such research would steer debate away from how or whether entrepreneurial opportunities are discovered or created (for example, Martin and Wilson, 2014) and into the more vital arena of whether someone is free to pursue entrepreneurial opportunities in the first place.

We propose that only in those cases where the seven conditions outlined have been met can we reasonably infer the freedom to act entrepreneurially. Importantly, this claim is open to simple empirical testing: every example of an exploited opportunity should have met these seven conditions. When considering the impact of such research for the domain of entrepreneurship, it is essential to highlight one of its key strengths: it takes every individual seriously, espousing a principle of 'each person as an end' (Nussbaum, 2011, p 35). Nussbaum notes the failure of some human development policy initiatives to cater adequately for the interests of all human beings, rather than for a particular group. A policy that encourages the development of human capabilities in some individuals at the expense of others is what she calls a 'tragic choice,' that is, 'the violation of an entitlement grounded in basic justice' resulting in 'a cost of a distinctive sort, one that in a fully just society no person has to bear' (Nussbaum, 2011, p 37). Such a cost is further characterized as a 'corrosive disadvantage' for those involved. We would argue that this is a discourse that could have a major impact if it were applied to the arena of entrepreneurship and entrepreneurship education. One place this could start is in the context of the Global Entrepreneurship Monitor (GEM) project (GEM, 2014).

Two specific areas that underpin the GEM study serve as examples of how the conception of entrepreneurial capability outlined in this paper might encourage a fresh look at some fundamental assumptions. First, the

distinction currently made between so-called 'necessity' and 'opportunity' entrepreneurship (see Reynolds *et al*, 2002; Sternberg *et al*, 2006; Valliere and Peterson, 2009) concerns an assessment of the motivation of the entrepreneur to start a venture and the distinction between 'entrepreneurship reflecting the voluntary pursuit of opportunity and that reflecting a necessity to engage in entrepreneurship when there is an absence of employment opportunities' (Reynolds *et al*, 2002). Opportunity entrepreneurs are viewed as those who start a business in order to pursue an opportunity, whilst necessity entrepreneurship is more requirement-based (Reynolds *et al*, 2005), with those involved starting a business because it was 'the best option available' (Reynolds *et al*, 2002). Notwithstanding the observation that the two approaches might not, in fact, be mutually exclusive (for example, Mandelman and Montes-Rojas, 2009), entrepreneurial capabilities, as defined through the CA, widen attention through exploring the determinants of the freedom to pursue entrepreneurship as they apply to people across the world, in developing and developed countries alike, through assessing their relative possibilities to act (or otherwise – for example, see Verrest, 2013).

The second area the CA account of entrepreneurial capabilities has the potential to affect is the discussion of the Entrepreneurial Framework Conditions (EFC) used to underpin the GEM's National Expert Survey (NES). The NES measures key Entrepreneurial Framework Conditions, including finance, government policies, entrepreneurial education and training (the nine EFCs are finance; government policies; government programmes; entrepreneurial education and training; R&D transfer; commercial and professional infrastructure; internal market openness; physical infrastructure and services; and cultural and social norms). These EFCs are seen to operate as key antecedent conditions impacting upon the pursuit of entrepreneurial opportunities in any given country (a model linking EFCs to entrepreneurial opportunity can be found in Acs *et al*, 2004, p 14; see also Reynolds *et al* 1999, 2005; and Block and Wagner, 2006). This work suggests that the seven conditions of 'entrepreneurial capability' might be fruitfully added to these, framed around the idea of 'freedom of choice'.

In conclusion, we would like to draw attention to the differences between what is theoretically and practically possible. The seven conditions identified are, in theory, available for all to experience, and yet the freedom to pursue entrepreneurship is, in practice, unachievable for so many. Current economic policy, in the Western world, dictates that the freedom to recombine resources (especially financial resources) to carry out transactional (market) exchange and then appropriate profits or value

is not widespread. By drawing attention to the lack of theoretical necessity in such practice, there is an increased chance of making progress. To the extent that entrepreneurship and human development theory can be joined up, the objective need not be to suggest that everyone should become entrepreneurs, rather theory should explore when they have a real choice. As Nussbaum notes, 'the goal is always to present people with choices in the areas the list identifies as central, rather than to dragoon them into a specific mode of functioning' (Nussbaum, 2011, p 97). We would argue that this proposed field of entrepreneurship capabilities research has the potential to make genuine social inclusion a non-contradictory goal of entrepreneurship research.

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