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The Phantom Opportunity: Bridging the Gap Between Idea and Equity Investors

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Abstract: Kirznerian entrepreneurs are described as alert individuals apt to identify opportunities through subjective inferences based on industry competition, price inequality, and interaction with other market actors. They are poised to identify and exploit opportunities that may not currently exist. We extend this notion of alertness towards the unknown by introducing the "phantom opportunity" concept, extending prior research. Although entrepreneurs may initially perceive a new venture idea, it cannot manifest itself as opportunity until other parties legitimize it by mutually perceiving it as such, thus committing resources. For example, investors may mentally simulate, contributively co-create or modify a proposed opportunity before committing the necessary funding to launch the entrepreneur's perceived idea. This paper extends Kirzner's view of perception and opportunity as related to the modern entrepreneurs' struggle to define, legitimize and realize an opportunity.

Keywords: Entrepreneur, Opportunity, Discovery, Perception, Resources.

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A "oportunidade fantasma": fechando a lacuna entre ideias e investidores de capital

Resumo: Os empreendedores kirznerianos são descritos como indivíduos em "estado de alerta", capazes de identificar oportunidades por meio de inferências subjetivas baseadas na concorrência industrial, diferença de preços e interação com outros agentes de mercado. Eles estão preparados para identificar e explorar oportunidades que podem não existir no momento. Ampliamos essa noção de "estado de alerta" para como desconhecido, ao introduzir o conceito de "oportunidade fantasma" às pesquisas anteriores. Embora os empreendedores inicialmente possam perceber uma nova oportunidade de investimento, ela não pode se manifestar como oportunidade até que as outras partes mutuamente assim a legitimem, alocando recursos. Por exemplo, investidores podem simular mentalmente, criar conjuntamente ou modificar uma oportunidade potencial antes de destinar o financiamento necessário para lançar a ideia percebida pelo empreendedor. Esse artigo amplia a visão de percepção e oportunidade de Kirzner, relacionando-a ao esforço do empreendedor moderno para definir, legitimar e concretizar uma oportunidade.

Palavras-chave: Empreendedor, Oportunidade, Descoberta, Percepção, Recursos.

La "oportunidad fantasma": cerrar la brecha entre la idea y los inversores de capital

Resumen: Los empresarios kirznerianos se describen como un individuo alerta apto para identificar oportunidades a través de inferencias subjetivas con base en la competencia de la industria, la desigualdad de precios y la interacción con otros actores del mercado. Están preparados para identificar y explotar oportunidades que pueden no existir actualmente. Extendemos esta noción de alerta hacia lo desconocido mediante la introducción del concepto de "oportunidad fantasma", ampliando la investigación previa. Aunque los empresarios pueden percibir inicialmente una nueva idea de empresa, no puede manifestarse en una oportunidad hasta que otras partes la legitimen al percibirla como tal, comprometiendo recursos. Por ejemplo, los inversores pueden simular mentalmente, cocrear o modificar de manera colaborativa una oportunidad propuesta antes de comprometer la financiación necesaria para lanzar la idea percibida del emprendedor. Este documento amplía la visión de Kirzner de la percepción y la oportunidad en relación con la lucha de los empresarios modernos para definir, legitimar y aprovechar una oportunidad.

Palabras clave: Emprendedor, Oportunidad, Descubrimiento, Percepción, Recursos.

Introduction

Analysis of the role of the entrepreneur in Austrian Economics literature shows the evolution of thought around the process of entrepreneurial discovery and opportunity exploitation. Modern Austrian economists suggest that the alert entrepreneur plays an active role not only in perceiving opportunities when others may not, but is able to act when these opportunities come by, to bring balance to the market process (KIRZNER, 1979; ALVAREZ; BARNEY, 2007; LAVOIE, 2015). This notion evokes the image of an entrepreneur discovering and exploiting opportunities, independent of the various stakeholders required to make such an opportunity successful. While this view appears to explain one side of the process well, it would be beneficial to examine the broader scope of the opportunity discovery process to better understand the dynamics and dimensionality of entrepreneurial discovery and actualization. The discovery process involves an entrepreneur's initial identification of potential opportunity, which may ultimately lead to the actualization of that opportunity (KIRZNER, 1997). However, there are competing perspectives in literature that exemplify how entrepreneurial opportunities come into existence. For example, Alvarez and Barney (2007) use mountain "climbing or building" to metaphorically describe the entrepreneurial discovery and creation process. The entrepreneurial discovery process is imagined as a pre-existing mountain (opportunity), which an alert and ambitious entrepreneur searches for, discovers and climbs. The opposite view, the creation process, holds that the mountain does not objectively pre-exist; rather, the active entrepreneur utilizes existing resources, and builds the mountain (opportunity). In this paper, by focusing on the entrepreneur-equity investor (EI) dyad, we take an alternative theoretical view of the discovery/creation debate. We argue that regardless of whether opportunity is discovered or created, its actual realization truly hinges on the shared perception of the dyad (DAVIDSSON, 2015).

In its nascent state, new opportunity may be determined collectively or independently by stakeholders, such as EIs, through their subjective perception of it. Therefore, the perceived opportunity is merely an idea, and cannot be fully realized until the entrepreneur can secure vital resources to bring it into reality. And these vital resources often require outside investors. At this stage, the opportunity itself does not yet exist, but is merely a "phantom" that is envisioned within the entrepreneur-investor dyad mentally simulated reality for a potential future launch. The opportunity becomes real when influential others, such as the investors, also perceive the opportunity as real - perhaps contributing with ideas to co-create a possibly more successful opportunity - and are willing to assist in facilitating its founding, so the venture is actually launched (SHANE; VENKATARAMAN, 2000; DAVIDSSON, 2015). Thus, in this context, an entrepreneurs' primary goal will be to convince those who can provide vital resources that the phantom opportunity is real, and could potentially bring benefits to a future marketplace. If unsuccessful, the idea may not be realized and thus cannot translate into true opportunity.

To maximize the potential for others to mentally perceive the proposed opportunity, the entrepreneur may often engage in behaviors designed to augment its perceived legitimacy. One behavior commonly referred to as a business pitch, is often used in this process. A business pitch is a narrative that may incorporate predicted performance or outcomes, presented in a rehearsed, storytelling-type of delivery (NAGY et al., 2012, ZOTT; HUY, 2007). Through the process of posing the pitch to an EI, a reciprocal relationship may be established in the form of an investment or offer of other resources, whereby the entrepreneur presents the perceived opportunity in a manner that establishes legitimacy in the mind of the investor, who may perceive the opportunity as viable. However, before the terms of a funding offer are made, an investor may need to confirm specific information to reduce uncertainty and claim judgements of viability or scalability (ZIMMERMAN; ZEITZ, 2002). If this information is lacking or not grounded in verifiable facts, investors may choose to rely on their own experience or knowledge to "fill in the gaps" (ROESE, 1997; ROESE; EPSTUDE, 2017). Investors may also mentally simulate or think in a counterfactual manner based on prior knowledge or experience in order to estimate a similar or alternative scenario of success (GAGLIO, 2004; ROESE; EPSTUDE, 2017).

In certain regards, Austrian theories of entrepreneurial alertness are not concerned with describing the processes by which an alert entrepreneur takes advantage of an opportunity; more specifically, existing theories assume the mysterious combination of reasoning, decision, and quick entrepreneurial cognitive action (GAGLIO, 2004). We believe extant literature would benefit from exploring the discovery process through which entrepreneurs communicate, present, and convince influential others of the legitimacy of future (not yet real) opportunities in order to secure necessary resources and accomplish the realization of those opportunities (PRATKANIS; FARQUHAR, 1992). Within the discovery process, we posit that entrepreneurs, particularly those in early stages or with opportunities not yet launched (nascent entrepreneurs), may attempt to activate mental simulations and counterfactual thinking with EIs within the context of the business pitch in order to establish a phantom opportunity, while seeking to secure and obtain vital resources. We aim to contribute to the existing modern Austrian economics and entrepreneurship research that pertains to the realization of entrepreneurial opportunities by suggesting that, during the collaboration of nascent entrepreneurs and various EIs, an opportunity can truly be discovered, created, and realized. In the following, we will provide a discussion around entrepreneurial opportunity discovery and exploitation, provide literature review, and expand upon these theories through the lens of the modern entrepreneur and the conception of the phantom opportunity.

1. Historical Overview

1.1 Modern Austrian Economics Theory of Opportunity

The forces of entrepreneurial discovery and opportunity have continued to be of interest to scholars as theoretical expansions on the ideas from Mises (1949) and other historical Austrian economists (KIRZNER, 1997; SHANE, 2003; SHANE; VENKATARAMAN, 2000) appear. Modern Austrian theory considers the "actions of individuals" within a market that is in a continual state of disequilibrium as one of the defining premises of the economic process (KIRZNER, 1997; VON MISES, 1949). These "actions" take place as individuals maximize their own decisions to gain the most favorable outcomes, thus driving the market forward (KIRZNER, 1997; SHANE, 2003). The academic work of Kirzner remains a significant influence on the modern-day theoretical foundations of entrepreneurship theory (KLEIN; BYLUND, 2014). However, Klein (2008) points out that Kirzner's entrepreneur should be exemplified as a metaphor to the function of the entrepreneurial opportunity discovery process and market equilibration process, not as a means to examine the "opportunity" itself. He further states that opportunities are neither discovered nor created, but are imagined realities or subjective concepts that exist in the minds of stakeholders until decisions are made and action is taken (KLEIN, 2008; ALVAREZ; BARNEY, 2007; FOSS, 2008). This notion is supported by the judgment-based view (KLEIN, 2008, FOSS; KLEIN, 2010; KNIGHT, 1921), which is concerned with the business decision making process in regards to the uncertainty of the future possibilities of the opportunity, which become clearer as decisions are made and actions taken. The following facets of modern economic theory relate specifically to the history of the critical entrepreneurial concepts of perception and opportunity.

1.2 Entrepreneurial Discovery and Equilibrium Theory

Misesian economists considered the market as an "entrepreneurially driven" process due to the profit-seeking nature of entrepreneurial activities that ultimately drive a market that is in a current state disequilibrium (SALERNO, 1993; KIRZNER, 1997; ALVAREZ; BARNEY, 2007; SHORT, 2010). If the market was perfectly equal, which is described as "evenly rotating", there would be no room to form entrepreneurial activities. and no room for entrepreneurial profit and loss, as the economy would be unchanging (MISES, 1953; TAYLOR, 1980; KIRZNER, 1997). Thus, the entrepreneur's role in the market is the theoretical key to understanding the varying facets of opportunity as a "process", and the potential areas of intellectual contribution to theory (KIRZNER, 1997). Hayekian economists considered the function of knowledge (dispersed) to be an enhancement of market interaction, and that this interaction is vital to produce an equilibrium in the market process (KIRZNER, 1973, 1997; SALERNO, 1993). These two branches of Austrian theory have influenced the modern theoretical framework describing the role of knowledge and discovery in the process of equal market supply and demand (ALVAREZ; BARNEY, 2007; KIRZNER, 2008; KORSGAARD et al., 2016).

Competition in the market process has contrasting viewpoints within an Austrian perspective versus traditional classical economics (KIRZNER, 1997). The primary difference lies in the presence of equilibrium through monopolistic ventures and discovery. The Austrian advances to economic theory include the concept of competition, which for the modern Austrian approach, is a dynamic and driving force for discovery in the market process (HAYEK, 1968; KIRZNER, 1997; ALVAREZ; BARNEY; ANDERSON, 2013; BOSTAPH, 2013; KORSGAARD et al., 2016). Competition has become a key element in the attempt to understand and explain how the equilibration process works in the market (KIRZNER, 1997; DEMMERT; KLEIN, 2003). The equilibration process of competition could play a significant role to identify and realize opportunities for both the entrepreneur and the stakeholders, as a competitive market will often breed opportunities for individuals where outcomes are unknown and unpredictable (HAYEK, 1968). For example, while exploiting an opportunity, and through exchange and interaction, individual market participants driven by competition can gain new knowledge and awareness to uncover opportunities, or the "perception of opportunity" (ECKHARDT; SHANE, 2003). The classical equilibrium theory states that individual actors are rational, and in an equilibrium market, make perfect decisions (KIRZNER, 1973; 1997). The Austrian entrepreneurial discovery approach highlights knowledge and discovery as critical elements that play a central role in the equilibration process. This equilibrium is a systematic process that occurs as mutual knowledge is gained about potential demand and supply opportunities (KIRZNER, 1973; 1997; DEJONG; MARSILO, 2015). With this knowledge, the rational entrepreneur can identify opportunities and act on them, thus influencing the character of the market process through cooperatively reinforcing methods that result in profits gained and needs met.

2. Literature Review of the Opportunity

2.1 Opportunity and Entrepreneurship

Based on the "actualization approach", Ramoglou and Tsang (2016) define entrepreneurial opportunities as un-actualized propensities wherein there exists a "propensity of market demand to be actualized into profits through the introduction of novel products or services" (RAMOGLOU; TSANG, 2016, p. 411). This viewpoint attempts to add to the discussion of the entrepreneurial opportunity discovery process by maintaining that opportunities are not objectively discovered, but are merely propensities until they are actively created through a subjective process. While interesting, this does little to progress or clarify the construct of the entrepreneurial opportunity. Ramoglou and Tsang (2016) do not offer any explanation as to when an entrepreneurial propensity becomes an opportunity, thus begging the question: If we do not know when an opportunity comes into being, how can an opportunity be defined (DAVIDSSON, 2017)? Ramoglou and Tsang (2016) introduce the concept of agency-intensive opportunities, whereby opportunities are actualized through entrepreneurial effort. This view proposes an active process in which actors may collaborate to develop an idea into an opportunity. Thus, entrepreneurial opportunities evolve on a continuous spectrum of variability and multi-dimensionality.

The Individual-Opportunity Nexus conceptual framework evaluates the intersection of the entrepreneurial opportunity and the actor (entrepreneur) to better understand the dynamics of the entrepreneurial process (SHANE; VENKATARAMAN, 2000). The mere presence of an entrepreneurial opportunity is not enough; an entrepreneur must choose to engage in the process to bring the opportunity to market. This decision is a product of an entrepreneur's individual characteristics. The actor and the opportunity are in an independent relationship, where the actor can choose to act on an opportunity. Davidsson (2015) extends the Individual-Opportunity Nexus framework by suggesting that the opportunity construct itself is incomplete without considering the importance of non-actors in the definition of the entrepreneurial opportunity. These non-actors are coined "external enablers" and include a broader context, such as market environment, policy, advances in technology, resources, etc. that may produce favorable or unfavorable opportunities.

Davidsson (2015) defines entrepreneurial ideas as "new venture ideas" (NVI), which are imagined futures of new ventures which may or may not ever be realized. They are imagined differently by each individual who evaluates them. This concept sidesteps the argument about discovery vs creation, and the connotation that the term "opportunity" has for a favorable outcome (profitable). NVIs are fluid and change over time as new information is considered or conditions vary. They exist in the mind of the entrepreneur, but can be influenced by external forces that help shape, build, and erode them. Individual entrepreneurs and EIs each have differing levels of opportunity confidence with any given opportunity at hand. Opportunity

Confidence is a construct originated by Dimov (2009) and was further refined by Davidsson (2015). It is defined as the level of confidence that an individual actor has with an external stimulus. This level of "favorability" is highly subjective due to individual perceptions of opportunity-cost, knowledge, resources, etc. Since the evaluation of an opportunity is subjective, individual characteristics play an important role in determining an opportunity as extremely favorable or lacking actionability. While NVIs can be conceptualized differently by individuals, it can be evaluated favorably or unfavorably based on the available information, historical experience, cognitive and heuristic process, and other inputs (GIANIODIS; MARKMAN; ESPINA, 2017; SCHAERER; SCHWEINSBERG; SWAAB, 2018). This evaluation begins as soon as an entrepreneur envisions it and ends when the entrepreneur either abandons the NVI or it successfully enters the market (DAVIDSSON, 2015).

2.2 Opportunity, Sheer Ignorance and Uncertainty

Sheer Ignorance alludes to something that is unknown within the potential opportunity and knowledge discovery process. Thus, the individual is ignorant to the unknown knowledge or information about an opportunity. Sheer ignorance differs from imperfect information in that, often prior to discovery, the entrepreneur was not aware of the ignorant state they were in. Entrepreneurs continually make new discoveries which ultimately increase the collective understanding of all stakeholders, thus diminishing sheer ignorance over time (KIRZNER, 1997).

When considering entrepreneurs and opportunities, uncertainty may be present for all potential entrepreneurial ventures due to the fact that opportunities often require various production elements or additional costs that may slowly unfold over time (KIRZNER, 1973, 1997, 2008; ALVAREZ et al., 2013; KORSGAARD et al., 2016). Consequently, the individual entrepreneur will often experience and endure uncertainty in decision making and opportunity realization (FOSS; KLEIN, 2010). Korsgaard et al. (2016) suggests that it is essential for entrepreneurs to explore the option of managing uncertainty. There is a high probability they will need to take action in its presence.

These elements are important because they suggest that perceived uncertainty and the motivation to bear uncertainty are critical components in separating those who choose to take on risk and pursue potential opportunities, and those who do not (KIRZNER, 1979; 1997; DEMMERT; KLEIN, 2003). Additionally, scholars have explored how uncertainty may potentially prevent entrepreneurial action (MCMULLEN; SHEPHERD, 2006). Due to these circumstances, uncertainty has become a mental construct that is associated with feeling doubt, which may lead to hesitation from an individual in the decision-making process (MCMULLEN; SHEPERD, 2006; KORSGAARD et al., 2016; KIRZNER, 2008). Even so, whether the entrepreneur perceives that there is a chance that uncertainty will present itself unexpectedly during the entrepreneurial process, there remains inevitable uncertainty, that is external to the entrepreneur and is often caused by unknown future state of the markets (KORSGAARD et al., 2016).

2.3 Opportunity and Knowledge

Opportunity theory is commonly recognized as a central framework in entrepreneurship (ALVAREZ; BARNEY, 2007; SHANE; VENKATARAMAN, 2000). The founding theorists Kirzner

(1973) and Schumpeter (1934) proposed differing views on the presence of entrepreneurial opportunities (KORSGAARD et al., 2016). These variances in thought are centered on the introduction of new information and the disparity of individuals in their ability to gain access to current information for potential opportunities (SHANE, 2000). Schumpeter's (1934) view posits that gaining new information is important to explaining the existence of entrepreneurial opportunities. Kirzner's (1973; 1997) opposing opinion is such that the very presence of opportunities requires differential access to existing information. However, the classification of opportunities is entrenched in Schumpeter's (1934; 1950) and Kirzner's (1973) view on the position of the entrepreneur, as the individual who "actively searches for opportunities or alertly discovers them" in the competitive market process (KIRZNER, 1997; DEJONG; MARSILI, 2015).

Recent papers have suggested that the differing views of entrepreneurial opportunity assist scholars in understanding the differences in the entrepreneurial process and considers the entrepreneur's unique role in driving the economy (DEJONG; MARSILI, 2015). For example, recent studies have viewed the seemingly disparate perspectives of opportunity-based theory of entrepreneurship (YU, 2001; HOLCOMBE, 1998; SHANE; VENKATARAMAN, 2000) as substitute "representations of different types of opportunities that may coexist in an economy at the same time" (DEJONG et al., 2015). Within this perspective, both Kirzner and Schumpeter's perspectives are valid. According to Lewin (2015), an entrepreneurial opportunity exists whenever inputs can be created, or purchased, that result in an output with greater market value. Additionally, the components of uncertainty and sheer ignorance to knowledge in the discovery process are additional dynamics for the entrepreneur in the opportunity-seeking realm (KIRZNER, 2015; KORSGAARD et al., 2016). This is an important consideration, as we seek to contribute to bridging the gap that may exist between the entrepreneur and an EI when perceiving a potential opportunity.

During the opportunity seeking process of the modern entrepreneur, the chance that imperfect information could disrupt the equilibrium process is paramount (KIRZNER, 1997) This often occurs through unknown costs, new production, or during the entrepreneur's process of searching for missing information (KORSGAARD et al., 2016). To fill in missing information, we need to assume that either an entrepreneur is aware that they don't know or that they are unaware of what they don't know (sheer ignorance) (KIRZNER, 1997). In the first case, the entrepreneur will hypothesize based on their assumptions, and systematically carry out experiments to find the answers. This interpretation is in line with the modern Austrian economist's view of imperfect information and the rational entrepreneur who must navigate uncertainty and seek to attain new information (KIRZNER, 1973, 1997, 2009; KORSGAARD et al., 2016). In the second case, in which an entrepreneur has sheer ignorance and does not know what they don't know, they will act in an irrational manner. They do not have a valid picture with all the information needed to act rationally, yet they will nonetheless take action. They will act on their assumptions and their limited understanding or fabricated view of reality. Entrepreneurs are not omniscient, so we must conclude that they will make irrational decisions that work against the realization of the discovered opportunity. This contrarian view helps explain the fact that most entrepreneurial opportunities end in failure (ZACHARAKIS; MEYER; DECASTRO, 1999).

The entrepreneurial opportunity may in fact be a phantom opportunity, and cannot be actualized until it is believed in by more than just the entrepreneur, who may be the most irrational of all the stakeholders. This creation approach of entrepreneurial opportunity discovery contrasts the Kirznerian view that entrepreneurial opportunities pre-exist, and an alert entrepreneur merely identifies or discovers and acts on the opportunity. In the creation approach, entrepreneurial opportunities are subjective and are actualized through a process of social construction and entrepreneurial intervention (RAMOGLOU; TSANG, 2016; KORSGAARD, 2011).

2.4 Opportunity, Alertness and Perception

Lewin (2015) describes the Kirznerian entrepreneur as someone who identifies opportunities, but also is positioned to exploit opportunities that may not yet exist. To be able to recognize and exploit potential opportunities, the entrepreneur must be alert to notice them (KIRZNER, 2009; LEWIN, 2015). The definition of alertness, or an alert entrepreneur, is someone who "notices, by being 'alert', that there are unperceived opportunities for gain" (LEWIN, 2015 pg.3). Accordingly, an entrepreneur that is alert to unperceived opportunities is potentially at an advantage over those who are not as "alert" (KIRZNER, 2009; LEWIN, 2015). Alertness for the entrepreneur is encouraged by the appropriate incentives, as Kirzner (1980) believed that "human beings tend to notice that which it is in their interest to notice" (KIRZNER, 1980, p.28). The concept of alertness is a critical component of the theoretical construct of the "Kirznerian Entrepreneur" as entrepreneurs that have the ability to imagine how potential resources could be used in different ways to add value and produce something novel will inevitably succeed over those who do not (KIRZNER, 2009; FOSS; KLEIN, 2010).

Most recently, interest has grown among economic scholars around the occurrence of opportunity or, more specifically, "opportunity perception" (RENKO; SHRADER; SIMON, 2012). These recent interests have emerged from roots in entrepreneurial discovery developed by Kirzner, using foundations of Austrian economic thought shaped by Mises and Hayek (DEJONG et al., 2015). The idea that "perceived knowledge" is limited for the individual is a central tenet to better understand the market process and opportunities that lie within for the entrepreneur (TAYLOR, 2008). This perceived knowledge plays a critical role in the perception of opportunities that are available for both the entrepreneur and the EI.

Shane (2000) states that the ability of an entrepreneur to identify an opportunity is not necessarily due to their being "alert", but rather to the individual differences such as background, education, and the information they possess and are exposed to, including information or ideas from stakeholders. This frames the opportunity identification process as one of subjectivity. This aligns with the creation view of entrepreneurial discovery, but also puts the entrepreneur in a passive role, where their perceived opportunities are limited by the information they already possess. Since we take the point of view that an identified opportunity is not an opportunity until it receives input and/or approval from other parties, we argue that the entrepreneur may "discover" an opportunity as it evolves through interactions with others, gaining new information, and through translation of other's perceptions of what the opportunity really is or could be.

3 The Phantom Opportunity

Entrepreneurship embodies a multi-level process of creativity and information integration that may begin with an individual (or few actors), but will eventually involve other influential parties, who will likely engage in information exchange, dialogue or debate about the meaning of what is shared (MCCULLEN; DIMOY, 2013). Unless entrepreneurs have the resources to self-finance their business, they will likely need to secure external funding. The entrepreneur must exchange enough information with investors to enable them to agree with the possibility of a success, thereby legitimizing their NVI. Otherwise, investors may conclude expectations of performance are over-inflated and unlikely (DIMOY, 2010; MCCULLEN; SHEPHERD, 2006). The ultimate goal of the entrepreneur seeking an investor's funding is to achieve legitimacy. Legitimacy is an important resource that entrepreneurs must establish with investors if they are to gain financial capital that is crucial in the early stages of a new venture (RUTHERFORD, 2016; SUCHMAN, 1995; ZIMMERMAN; ZEITZ, 2002).

3.1 Building Legitimacy and Resources

Obtaining financial capital prior to attempting a market launch may also allow the entrepreneurs to reduce their uncertainty, increase opportunity confidence, and perceivably improve the chances of success (BOYLE, 1994; RITA, 1999; DAVISSON, 2015). Entrepreneurs may choose to obtain investment from a venture capitalist or angel investor who is capable of providing other resources through their involvement, but who will in turn likely require a negotiated amount of equity in the firm or other financial returns once established (DENIS, 2004). Investors may have more than one option to invest their money in but must assess each investment option and determine if it will result in a desirable financial return and outcome, given uncertainty and relative risks (RITA, 1997; 1999). Regardless of the number of options available, the individual investor has a finite amount of financial (or other) resources they can invest. In order to secure the necessary investment, entrepreneurs must pitch their proposed ideas in the form of a story, effectively narrating the means-end framework that may result in an investment and other potential involvement from the investor or their network (CLARKE, 2011; CLARKE; CORNELISSEN; HEALEY, 2019; DALY; DAVY, 2016; POLLACK; RUTHERFORD; NAGY, 2012). When pitching to investors, entrepreneurs narrate and describe future, hypothetical scenarios. These could generate success if a set of proposed or assumed causal sequences occur and pre-calculated independent variables are made available. These descriptions, visual representations and explanations may be illusory, hypothesized or imagined, particularly if the entrepreneur needs to increase interdependency with the investor or improve their perceived negotiation power as they initiate a negotiation to finalize and secure an investment. Regardless of the amount of preparation that entrepreneurs undertake prior to delivering their pitch, investors may inquire about additional details or challenge assumptions to better understand the opportunity and validate profit estimates. Entrepreneurs may not have sufficient data or information about their proposed opportunity to satisfactorily answer questions or fully legitimize their proposed opportunity (COLYVAS; JONSSON, 2011; POLLACK; RUTHERFORD; NAGY, 2012; ZIMMERMAN; ZEIT, 2002; ZOTT; HUY, 2007). Investors may also consider their own skills, social network, prior experience or the way the proposed venture could interact with other current (or potential) investments. Investors may align with the idea that is pitched from the same perspective as the entrepreneur or perceive an additional (or different) opportunity based on other knowledge not yet fully disclosed. Investors who are sensitive to profit variability may want to further contemplate, simulate, or test other ways the opportunity might be exploited or leveraged. Regardless, investors will determine if they have enough information to make a decision to invest. If not, the ensuing interaction to reach mutual agreement may require the parties to "fill in the blanks" through dialogue, mutual discovery and imagination, so that the proposed opportunity can be legitimized for the purpose of investment and ultimately realization.

This interaction could cause either (or both) party to heuristically and cognitively construct a future reality that is based on assumptions of other inputs and outputs not realistically available at the time the pitch is presented, particularly if the ideal outcome is attractive or desirable and their own involvement can potentially reduce uncertainty (FARQUHAR; PRATKANIS, 1993; GAGLIO, 2004; GIANIODIS, MARKMAN; ESPINA, 2017; MITCHELL et al., 2007; PRATKANIS; FARQUHAR, 1992). Angel investors and venture capitalists may also consider how their own input such as direct involvement or introductions to important network contacts may improve a perceived problem or create a future business opportunity (DENIS, 2004). Investors may weigh variables such as their experience, the capabilities of their current portfolio, and possible future active involvement in the opportunity (GIANIODIS; MARKMAN; ESPINA, 2017). Entrepreneurs may specifically request personal investor involvement that could lead to better forecasted outcomes, appealing to one or more of these investor variables. Introducing phantom alternatives and illusory suggestions leading to establishment of phantom opportunities may enable an entrepreneur to exploit or influence one, or many, of these input variables in order to increase the investor's decision to invest (BIETKTINE, 2011; FARQUHAR; PRATKANIS, 1993).

3.2 Mental Simulation and Counterfactual Thinking

The entrepreneurs' proposed new venture idea may activate the investor's imagination, enabling the investor to move beyond pre-established thought patterns and into an "as-if" world in which a hypothetical reality is considered (BECKERT, 2013). This exchange between the entrepreneur-investor dyad may be one point in the entrepreneurial process where a phantom opportunity contributes to a decision to invest, even though neither party may fully understand the likelihood of achieving certain results, nor the timing of causal sequences or necessary events (GUNTHER, MCGRATH; NERKAR, 2004; MCGRATH, 1996; RITA, 1997; 1999).

Ultimately, once a pitch has been received, information processed and options weighed, the investor must make a decision whether or not to invest. In certain cases, however, this determination, may require judgements that counter historical facts, imagination or mentally simulated future realities. If the anticipated future scenario is mutually agreed by the entrepreneur-investor dyad, this illusory future concept, or phantom opportunity, may not necessarily be based on what is known, but what "could be" if assumptions and predictions are accurate (PURTELL; CASTON; GRUMBLES, 2019). Hence, a phantom opportunity is established and future action (as well as inter-dependencies) will determine if the ensuing venture will be successful.

3.3 The Phantom Alternative vs Phantom Opportunity

In 1992, Pratkanis and Farquhar introduced the "phantom alternative" construct as options that are unavailable during a decision-making process, such as a negotiation, but appear (or are made to appear) real or possible to an individual party. Later, researchers described phantoms as any alternative that is, despite any reason, unavailable at the time the choice among more than one alternative is made, but appears real to the actor (DOYLE, 1999). Phantoms are segmented into categories based on the known or unknown probability of being available (FARQUHAR; PRATKANIS, 1993). For example, a known phantom may occur when entrepreneurs are aware of the lack of availability of essential inputs that minimize risks of failure, but choose not incorporate them into their mentally simulated or suggested reality. An unknown phantom may occur if an actor is unaware that necessary inputs are unavailable, but nevertheless bases a decision on their existence. Regardless, phantoms alternatives are temporally perceived to be available "now" or in the immediate future even though they are not in reality.

Entrepreneurs or investors may form and suggest phantom alternatives to not only persuade, but also to improve perceived strength and negotiating power as a pitch and ensuring dialogue unfolds, even if the basis of the phantom is counterfactual in nature. For example, if an entrepreneur delivering a pitch and negotiating for funding lacks viable options (other than the idea that is being pitched), they will tend to negotiate as if they have alternatives (phantoms) (CONLON; PINKLEY; SAWYER, 2014). The strategic use of phantom alternatives can affect and influence the cognitive decision-making processes. Entrepreneurs who perceive they have a weaker position than the investor, but utilize phantom alternatives in their initial offer during the negotiation phase of a pitch, may receive favorable counteroffers, and ultimately achieve final negotiated value that is more favorable than those who do not (BHATIA; GUNIA, 2018). Likewise, investors who present phantom alternatives as part of their investment offers or counteroffers may also achieve final outcomes comparable to those who have real alternatives (PINKLEY, 2012). As an example, if entrepreneurs introduce a phantom alternative in a pitch persuading investors to consider contexts where the NVI is compatible with an existing institution in the investor's portfolio, the investors may have fewer questions or challenges if they agree with the comparison and the context provides for more substantive, content-based evaluations to be contemplated (TOST, 2011).

The phantom opportunity construct is being introduced in this paper in order to bridge the research gap between an entrepreneur's conceptual ideas (including phantom alternatives) and the actual opportunity that has been deemed worthy by an investor, when an entrepreneur successfully aligns their own subjective perception of an opportunity with that of the investor (PURTELL; CASTON; GRUMBLES, 2019). The phantom opportunity construct moves beyond individual perceptions of what may or may not be available "now" or perceived to be available in the immediate future, such as what is represented by a phantom alternative, and into entrepreneur-investor dyadic action, marking the singular moment in time when a decision is made to fund and contribute to institutionalization of a new "future" venture. This indicates the temporal moment when legitimacy is achieved in the eyes of both the entrepreneur and investor, simultaneously. The key difference between Pratkanis and Farquhar's (1992; 1993) phantom alternative and the phantom opportunity is that a phantom alternative is perceived and legitimized by an individual party an a current (or near future) option (despite the source of influence), whereas the phantom opportunity is perceived and legitimized by the dyad as something that can only occur in the future with a necessary means-end framework in place. Again, this does not suggest a phantom opportunity is always created when an investor is seeking resources. It occurs when there is a rich dyadic engagement of thought, and co-creation of a future reality, perhaps modifying the essence what was originally pitched in order to satisfy the needs of both the entrepreneur and investor to come to mutual agreement for an investment to be made. Phantom opportunities incorporate mental simulation, counterfactual and pre-factual thinking by both parties in a new venture funding deal (FARQUHAR; PRATKANIS, 1993; GAGLIO, 2004; ROESE; EPSTUDE, 2017). The phantom opportunity that is proposed is not an existing venture or idea that is overwhelmingly regarded as an opportunity by the masses (DAVIDSSON, 2015), but only initially recognized as viable by the entrepreneur and then confirmed by an investor who mutually agrees to proceed together through a funding arrangement and further institutionalization actions. This minor but important distinction helps move the discussion away from how an opportunity is formed (SHANE; VENKARARAMAN, 2000) and more towards how an opportunity is perceived as a dyad and evolves into a marketable venture (GIANIODIS; MARKMAN; ESPINA, 2017). Most entrepreneurial opportunities cannot be realized without access to outside resources that are often held by stakeholders. Whereas an individual's opportunity confidence can vary over time from low to high, high to low, or somewhere in the middle, and the individual entrepreneur's and stakeholder's perception of the opportunity may not be one and the same, the phantom opportunity defines a singular moment in time where opportunity confidence is high and a decision to act has been made by both parties of the dyad.

3.4 Limitations and Suggestions for Future Research

There are a few limitations and cautions the authors of this paper would like to stress as this new construct is introduced. The assumptions, dependencies and inputs required to actually transition phantom opportunities into actual opportunities should be fully understood. Moreover, the amount of total resource necessary to convert a phantom opportunity into a true opportunity should be considered in the context of all opportunities available to the parties. Nascent entrepreneurs may become fixated on a phantom opportunity as the sole venture by which they will generate a return due to lack of options. Likewise, investors who lack viable options may also perceive the phantom opportunity to be the only viable funding option available when they judge the entrepreneur's pitch. If the investor calculates probable outcomes that are highly attractive, they may become fixated on the respective possibilities that the phantom opportunity may produce. This could occur if the conditions necessary for the phantom are perceived as reasonable, or the investor feels entitled to a profit opportunity that the phantom is being woven into, given the investment and resource commitment that is contemplated (FARQHAR; PRATKANIS, 1993).

Focusing on the potential rewards of a phantom opportunity could propel powerful investor or entrepreneurial actors toward risky behavior. A perceived sense of control an investor or entrepreneur have over a phantom opportunity may mediate the effects of emotions on optimism and risk (LERNER; KELTNER, 2001). Additionally, past successes and the accumulation of rewards, it can also lead to optimism and risky behavior. Thus, an inflated sense of control over a phantom opportunity might increase the entrepreneur or investors self-efficacy beliefs because control, or power, provides people with confidence in their skills and abilities (ANDERSON; GALINSKY, 2006).

Future research might consider the initial degree of uncertainty versus the increase in opportunity confidence that results as a phantom opportunity is introduced, elaborated on and established. Moreover, research could evaluate the categories of assumptions, dependencies and inputs that are identified by entrepreneur-EI dyads to determine if certain categories tend to be cognitively "relaxed" based on the factors that led to increases in opportunity confidence. Additionally, research could be conducted to determine how narrative, linguistics, negotiation tactics, and symbolic actions can be used by one party to persuade the other to consider phantom opportunities in order to encourage mental simulations, counterfactual thinking and other cognitive processes that might help to establish legitimacy. Finally, personal characteristics could be assessed to determine if certain types are more susceptible to enter into dialogue that is supportive and accepting of phantom opportunities.

Conclusion

Most entrepreneurial opportunities cannot be realized without access to outside resources that are often held by resource holders, such as EIs. The concept of the phantom opportunity combines opportunity confidence and builds upon the conceptualization of the NVI on the level of the dyadic relationship between the entrepreneur and EI. This nexus of the entrepreneur and the resource holder has not received enough attention in entrepreneurship research of the opportunity, nor has the point where the entrepreneur successfully aligns their own perceived opportunity with the potentially subjective, illusory and positive vision of an EI. Furthermore, the phantom opportunity moves beyond perception and into action. Whereas opportunity confidence can change over time from low to high, high to low, or somewhere in the middle, and the entrepreneur's and the EI's perception of the opportunity may not be one and the same, the phantom opportunity defines a singular moment in time where both parties' opportunity confidence is high and a decision to act has been made by both parties of the dyad.

In this paper, we limit our focus on this phenomenon within the continuum of the entrepreneurial process. While important, it is not within the scope of this paper to elaborate on individual characteristics of entrepreneurs, how ideas are discovered or formed, the nature of environmental conditions or external enablers that might be required, or the process by which opportunities are eventually realized or abandoned. We also do not speculate on the ultimate success or failure of the enacted opportunity. We add to the discussion on the entrepreneurial process by clarifying the dimensionality of the construct of opportunity at the moment when an entrepreneurial idea or new venture idea is perceived by actors who may or may not have the potential to evolve it into a true opportunity.

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