Glossary

**Above Normal Economic Returns** are greater than that level of earnings, which is required to keep all of a firm’s assets employed in the business. At this level of earnings, the owners can earn a positive return on their risk taking. In other words, its net present value is positive.

**Alertness** to opportunities is based on noticing them without searching. It assumes continual, non-directed search. Discoveries found using alertness are based on surprise.

**Below Normal Economic Returns** are lower than the level of earnings, which is required to keep all of a firm’s assets employed in the business. At this level of earnings, the owners of the business will lose their equity stake in order to maintain the operation of the firm. In other words, its net present value is negative.

A **Bias** towards the treatment effect across the trials was assessed using the Begg–Mazumdar and Horbold–Egger tests.

The **Breslow–Day** is a test that calculates the odds ratio for meta-analysis.

**Case-Mix Variables** are related to differences in the demographic- and trial-specific characteristics of participants. Because subjects for the three trials were drawn from different populations and because there were few trials, case-mix variables can be a severe problem.

**Cochran's Q** is the classic measure of heterogeneity and is calculated as the weighted sum of squared differences between the individual trial effects and the pooled effects across trials, with the weights being those used in the pooling method.

**Common Method Variance** occurs when a study’s results are derived from one source of data and statistical analysis. In other words, the result could be an artifact of how the result was derived rather than from actual variance in the results.

A **Consideration Set** is a promising set of information channels, which entrepreneurs can select and search based on prior, specific knowledge from prior experience.

**Constrained, Systematic Search** uses one’s prior, specific knowledge to select and search the information channels in one’s consideration set for the purpose of discovering wealth-generating ideas.

A **Critical Research Perspective** assumes that nothing happens by accident.
that is socially constructed. Instead, elites design systems to maintain their power over the historically disadvantaged.

**Descriptive Research** consists mainly of reporting prevalence rates. It focuses on reporting reality as it is. Historically, it has not placed any value on the prescriptive implications of the prevalence rates.

The **Direct Effects** of one variable on another are those that are unmediated by another variable.

A **Discovery** is an idea for launching a venture that has the potential to create new wealth, such as the founding of a new firm, the creation of a new product line, the development of an innovative technology, the satisfaction of an ephemeral market need through arbitrage, or the like.

**Economies of Scope** are savings based on the sharing of non-separable assets.

**Economies of Scale** are savings based on a decrease in unit costs as the quantity of units increases.

**Effectuation Theory** assumes that an entrepreneur, guided by prior knowledge, while looking for valuable venture ideas, is able to control future outcomes. Because the future is assumed to be controllable, focusing on means can substitute for a focus on ends.

**Encounters** are interactions that may be precursors to actual exchanges.

An **End-Game Scenario** occurs when an economic actor does not expect to conduct any future transactions with the same party. End-game scenarios increase the risk of opportunistic misrepresentation.

**Endogenous** factors to an exchange are those that affect exchange from within a market and may be subject to influence by entrepreneurs and resource providers.

**Entrepreneurial Education** as used in this book encompasses prescriptive guidelines about how to improve performance. Of lesser importance are descriptions of what actual entrepreneurs do because 54 percent of them discontinue their ventures within four years.

An **Epistemic Structure** is the manner in which our minds catalogue information for recall, which can be used to guide not only our theorizing, but our searching.

An **Exchange** is the transfer of property rights (value) from resource providers.

**Exogenous** factors affect a market from the outside and are largely beyond the influence of entrepreneurs or resource providers.

**Fit** requires that an entrepreneur’s prior, specific knowledge overlap with the information required to exploit an idea with wealth-generating potential. Part of being fit requires that entrepreneurs be well positioned because discoveries are circumscribed by time and space and depend on
a knowledgeable entrepreneur, which causes many opportunities to be ephemeral.

A Fixed-Effects Approach assumes no significant heterogeneity among the results of the pooled trials.

A Forgiving Business Model is one in which risk is disproportionately borne by others while venture payoffs are shared proportionately by an entrepreneur and/or investors.

General Information consists of facts that can be reduced to rules that can be applied widely and inexpensively, typically by print or electronic media. It is widely available in public domains and can be very easily assimilated. Because general information is widely available, entrepreneurs cannot use it to create a competitive advantage.

General Knowledge is the intellectual perception of facts that can be reduced to rules that can be applied widely and inexpensively. It is the sort of understanding that can be acquired in formal education, but which cannot be used widely to create a competitive advantage.

Heterogeneity in meta-analyses refers to random outcome variations across trials, which result in the non-combinability of the results due to unexplained variance.

The I² statistic describes the percentage of trial variation that is due to heterogeneity rather than chance. Unlike Q it does not inherently depend upon the number of trials considered. Thus, it is more reliable than Q or Breslow–Day.

The Inalienability of an idea refers to whether it can be costlessly imitated by others or conveyed to them.

The Indirect Effects of one variable on another are those that act through a mediator.

An Industry is a group of firms that offer products or services that are close substitutes.

Information consists of facts communicated about a particular person, place or thing, which may or may not lead to the creation of new wealth. It is a collection of facts from which conclusions may be drawn.

Informational Economics is the study of how differences in information and the markets within which it is found, create both acquisition risks and opportunities. In fact, its acquisition becomes an investment decision in which entrepreneurs must trade off these risks and opportunities.

An Information Channel is a comparatively low-cost source of new, specific information that is capable of changing our views of the future, particularly as they relate to the creation of new wealth.

The Inimitability of a resource creates cost disadvantages for potential imitators.
**Isolating Mechanism** are barricades that can be erected by entrepreneurs to protect a resource from imitation. Some of them are listed in Box 4.4.

**Markets** consist of buyers and sellers who engage in exchange, typically after searching through several possible encounters.

A **Maximal Search** is one that makes the best use of limited resources and capabilities. It focuses on information assimilation, and the updating of one’s epistemic structure as new information becomes available.

A **Mixed Cumulative Logit Model, Stratified by Trial** is used to estimate the fixed and random effects at the trial-, treatment- and individual-level.

**Neoclassical Economics** is an approach for analysing socioeconomic phenomena that assumes maximizing behavior by economic agents. This approach has a predilection for equilibrium analysis and excludes chronic information problems.

The **Non-Combinability** of results due to heterogeneity across the trials can be assessed using both fixed and random effects tests, including maximum likelihood estimates.

**Normal Economic Returns** is that level of earning, which is just adequate to keep all of a firm’s assets employed in the business. It pays the bills, but returns nothing to the owners of the business. The net present value of normal economic returns is zero. Finally, it is that level earnings, which is generated under perfect competition.

**Prescriptive Entrepreneurship** offers advice to aspiring entrepreneurs, which has a theoretical basis, and which offers the promise of being empirically tested under controlled experimental conditions. It focuses on conducting theoretically-based research that has pedagogical implications.

**Prior Experience** consists of understandings derived from a person’s occupation, on-the-job routines, job-related technology, specialized education, social relations and hobbies.

**Radical Ignorance** occurs when actors do not realize what it is that they do not know.

A **Random-Effects Approach** allows for heterogeneity among the results of pooled trials.

A **Randomized, Two-Sample, Post-Test Experiment** is an experimental trial used to control for differences in subjects assigned either to the treatment or control groups. It also avoids introducing pre-test bias.

A **Rare** resource is one for which the number of its adopters is fewer than the number required to create perfect competition among them.

A **Repeatedly Successful Entrepreneur** (or for simplicity, a **Repeat Entrepreneur**) is someone who has launched three successful businesses without a failure. It could also be someone who has launched one very large venture based on the assumption that the success of a large venture would depend on a series of successful internal venture decisions.
**Rent** is an economic gain attached to the exploitation of an asset. The rent cannot be separated from the asset, so possessing rent-generating assets is one key to profitability.

**Research Inertia** is one cause of the continued emphasis on descriptive research in preference to prescriptive research. Researchers develop habits that they are reluctant to change.

**Satisficing Theory** suggests that individuals search for a solution to a problem and rather than considering all the alternatives in a total solution set, he or she simply accepts the first satisfactory alternative.

**Signal** is new information that changes our understanding about the future, particularly as it relates to the creation of new wealth.

**Specific Information** is time and sequence-dependent, and hence, more difficult for others to appropriate than general information. It concerns people, places, timing, special circumstances and technology.

**Stage** represents the one-time search of a single channel within a consideration set.

**Specific Knowledge** consists of the intellectual perception of people, places, timing, special circumstances and technology.

**Stopping Rules** consist of guidelines indicating when the best time to terminate a search is. They are necessary because of constraints on time and money and would otherwise create costly opportunity costs.

**Substitute** is a product or service that performs the same function in a different way.

**Theory** consists of an internally consistent set of assumptions. In its simplest form, theory is nothing more than storytelling based on known circumstances and how they will eventuate.

**Tit-For-Tat Strategy** involves trusting other actors until there is an ethical breach and then from that point forward acting as if the other actor is unethical by taking a defensive posture. A defensive posture can inhibit future exchange and destroy existing wealth.

**Total Effects** of one variable on another represent the total of the direct and indirect effects.

**Value** of an idea depends on its potential to increase an entrepreneur’s revenues or decrease his or her costs. It is mainly a function of the competitive rivalry within its industry.

**Window of Opportunity** is due to the ephemeral nature of many venture ideas. It represents the period during which entrepreneurs can earn above-normal economic performance due to little or no competition.