

Opportunity Development and Entrepreneurial Process Affect on Entrepreneurial Process

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Main purpose of this study is to carry out a research on topic that combines several factors which have effect on entrepreneurial process and point out the significant effects that influences entrepreneur's performance. However, the author decided to focus merely on Individual (prior knowledge, background, and experience), opportunity development (causation and effectuation process) and entrepreneurial learning process.

Qualitative approach was collected for this study. This qualitative approach includes both primary and secondary data. Primary data consists of empirical data and practical data which empirical data has been collected through two open questionnaires and one general interview guide approach, while practical data was conducted by using experimentation which the author as a nascent entrepreneur who wants to create his own business venture experimented the research. Secondary data was adopted through literature, such as, book, article, theories, journals, and web pages of respectful organization.

The result of this research found that, first, prior knowledge has strong influence on entrepreneur during startup stage. Moreover, effectuation process is the predominant factor in entrepreneurial process. Finally, entrepreneurial network is significant factors and useful for entrepreneur in creating business venture.

Keywords: Entrepreneurial process, Effectuation, Causation, Prior knowledge, Effect.

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1. Introduction

Now a day, pedagogy of entrepreneurship is ordinary style of teaching in entrepreneurial institution or business school. Many textbooks on entrepreneurship are built around business planning models (e.g. Allen, 2003; Kuratko and Hodgetts, 2004; Scarborough and Zimmerer, 2003; Timmons and Spinelli, 2004). According to Honig and Karlsson; “business plan is a rational activity that assists the owners of new firms (entrepreneurs) to earn larger profits through efficiency gains and/or increased sales” (Honig and Karlsson, 2004:35). However regarding to empirical research of the effectiveness of business plan has been mixed (Honig and Karlsson, 2004; Liao and Gartner, 2006), entrepreneurship programs in many universities use business plan processes as a primary deliverable.

Astonishingly, many business and organization who utilize business plan in order to attempts to predict the future or diminish risk by doing business plans or research in order to see what customers actually want or the possible to do the business, they still fail even doing with step-by-step rational process of business plan. Consequently, if the business plans (surveys, questionnaire and so on) cannot warranty that firms will succeed on their business in future, what else can help them to achieve their goal.

There are two kinds of opportunity in this era. Literally, first is opportunity discovery; is implied that information sufficient to identify opportunity exists at a certain point in the process of discovery. On the other hands, opportunity development refers to better conceptualization of this process-because it incorporates the identification, the development, and the evaluation of an opportunity (Ardichvili et al., 2003; Bhave, 1994; Dekoning, 1999). In other words, the opportunity development focuses on creation rather than discovery.

Due to focus on process of opportunity, D Hjorth suggests that stories of entrepreneurship start not from a focus on opportunity recognition/discovery that is already locked into the anticipated and strategized process of opportunity utilization. Instead, we can start with tactical opportunity creation in everyday practices, expressing a desire to become another and to increase the productive/creative powers of organizing. Likewise, Sarasvathy (2008) mentions that in the patchwork quilt approach (effectuation) the job of entrepreneur is to develop the opportunity by experimenting and changing direction when new information emerges or becomes available. Moreover, the patchwork

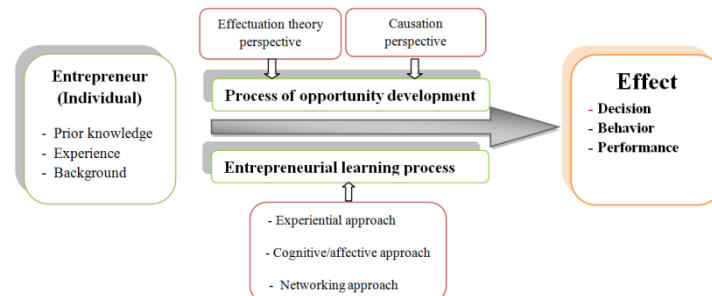
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quilter sees the world as still in-the-making with an important role for human action (Saravathy, 2008). In addition, effectuation theory also mentions about experiment (affordable loss), and controllable an unpredictable future which as similar to D,Hjorth.s suggestion of opportunity creation. In other words, this idea is telling us that human has capability of controlling and managing themselves, their business and so on, rather than looking for, wait the opportunity which, that means, we are not be able to control it but only follower.

Purpose

1. To find out the possible opportunity in creating the business.
2. To investigate what happen during the time that entrepreneurs are creating their business (Effectuation and Causation Theory).
3. Background and prior knowledge are important value for entrepreneur when they are in period of business creation.

Gartner concerns about the entrepreneurship program graduates was that these cases were the success stories of these programs only and that we wouldn't have any stories at all of those people who were in these programs but who did not start business. And, of cause, we would not have any stories at all of those people who started business without taking entrepreneurship courses (Gartner, 2008, p.353). Therefore, the author, who is student in master of International business; innovation and entrepreneurship, believes that sooner or later he will create and have his own business. For this reason, the author would like to study the process that can contribute and support him to achieve his prosperity.



2. Methodology

To investigate and find out the answers of this study, the author created the research in which have both empirical data and practical data. Empirical data was conducted by using interview and questionnaires, on the other hand, the author use double processes for investigation in practical data(experimentation). While the author who roles the nascent entrepreneur, is doing the experiment and investigation, the author will write down the information about the author’s feeling and effect of the author’s action every step. Empirical data will be used in interview method while practical data will be considered to use in experiment method.

Empirical data

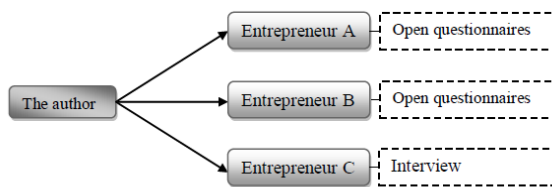


Figure 1: The Methodological Framework I

The figure here shows the process of collecting data. The author attempted to directly interview with five interviewees, but only three of them willingly responded back to

the author. Even though two owners restaurant give author the permission to talk with them, but they did not have time to talk with the author enough for collecting data that is useful for study. Therefore, the author chose open questionnaire in order for entrepreneurs can be able to do the questionnaire when they have a free time. The reasons that the author chose open questionnaire because the author expect to find wide and unexpected answer.

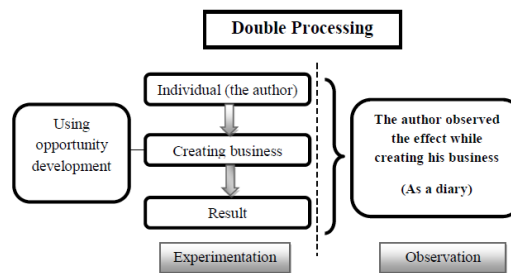


Figure 2: The Methodological Framework II (Double processing)

Practical data

For better understanding in practical data collection, figure 2 shows the double processes of collecting data. The author decided to use both experimentation and observation in this

study. First is experimentation, the author wants to set up his business by using opportunity development (causation and effectuation processes). At the same time, the author observed the effect (performance, emotion and behavior) that occur during his start-up business period. The practical data is constituted by language and narrative as field note (research diary). Because experimentation is like as vehicle of learning as basis for praxis and knowledge creation ((Erik Lindhult, 2004), therefore, the author then wrote the information which gained from practice following the theory as cause-effect relations.

Analysis

All data this part comes from three entrepreneurs who have difference background, experience, prior knowledge and career. Moreover, both of empirical data and practical data are analyzed through theories; opportunity development and entrepreneurial learning process.

Empirical data

Background and Prior knowledge

The result is the high education and high career prospects of entrepreneurs seem to have both positive and negative leverages in their aspiration. Entrepreneur C has a postgraduate qualification before set up her business and her degree is in science of education, while entrepreneur A and B have a postgraduate qualification to a bachelor in business and domestic science. It is interesting that education of three of them had influenced their career. The entrepreneur's university degree has given them the extra confidence to create their businesses.

To sum up, an entrepreneur's prior knowledge and background influence the kind of business they get involved in. the result shows that majority of entrepreneur in this paper have indicated that their prior knowledge have influence in their business whether they will end up with that kind of business or not. In fact, while their business is growing, their prior knowledge and experiment are expanded as well.

<i>Entrepreneur</i>	<i>Causation</i>	<i>Effectuation</i>
A	16.5 %	83.5 %

B	67.0 %	33.3 %	<i>Causation process</i>
C	11.0 %	89.0%	Entrepreneur B sets up his business by looking for want the market needs and then he started

Table 1: % of using opportunity development process of entrepreneurs
(the contrast between causation and effectuation process)

creating their concept. Moreover, competitive consideration was applied before investment. In order to set up this business constantly, he persuaded his friend involving in his business. In this circumstance, entrepreneur B seemed to focus on the offer rather than potential businesses which the same as Sarasvathy has mentioned that causation process is a particular effect as given and focus on selecting between mean to create that effect (Sarasvathy, 2001).

Effectuation process

- *Who I am (affordable loss)*

In the main point, the view of affordable loss is in a financial context. Effectuation holds that entrepreneurs generally emphasize affordable loss as contrasted to focusing on expected returns. Entrepreneurs consider risk as opportunity and whatever the outcome is, they seem to be that at least they have tried something and much better than have never tried anything at all. "I am never scared of investment; at least I will realize that this way is not best direction." Actually, entrepreneurs are less scared to take a risk. They seem to get excited when they decide to invest something. "If I fail, it means I learn something" they know how much they might loss and they are ready to learn if it does.

<i>Entrepreneur</i>	<i>Effectuation process</i>		
	<i>Who I am</i>	<i>Whom I know</i>	<i>What I know</i>
<i>A</i>	40%	40.0%	20.0%
<i>B</i>	50%	50.0%	0%
<i>C</i>	12.5%	62.5%	25.0%

Table 2; % of using three approaches of effectuation process

- *What I know (contingencies)*

Def. entrepreneur A, B and C are the participants whom the author had an interview and answering open questionnaire with.

Exploitation of contingencies identified by Sarasvathy that "Effectuators tend to remain flexible since the structure of the emerging organization is dependent on contingent opportunities." Thus, "the need for prediction is greatly reduced" (Sarasvathy,

2001: 252). According to entrepreneur A and C's stories, while they were starting-up their business, they were flexible and took advantage of opportunities as they arose (entrepreneur A saw an opportunity when there was no Thai shop in her city, entrepreneur C saw opportunity when her friends wanted her tray. As the result, entrepreneurs A and C remain flexible so they can take advantage of changing environmental contingencies. On the other hand, entrepreneur B developed his business by combining the best advantages of resources and capabilities for his business. In fact, he checked out what the market demand and offered it to the market. Moreover, entrepreneurs (effectuator) maintain the flexibility in order to abandon unproductive experiment, the same as entrepreneur C, she has changed her business plan and product while starting-up business many times and moved to other possibilities.

- *Whom I know (strategic alliance)*

The important process while using strategic alliance for entrepreneur is; first of all the entrepreneur works closely with people or organizations (friends, customer of supplier) in order to be able to greatly expand his/her capabilities. Furthermore, entrepreneur has focused on developing relationship alliances with other people. After that people (customer, friend etc.) help and contribute his/her business directly whether indirectly. In fact, his/her partnerships and people outside business play an important role in providing product and service.

Learning process effects on entrepreneur

Because experience is recognized as the major source of learning for the entrepreneur (Choueke and Armstrong, 1998; Cope, 2003; Politis, 2005), the result shows that experiences have strong influence on business creation because all participants have acquired the experiences before forming their own business. Moreover, for Cognitive/affect approach, entrepreneurial personality and attitudes are likely to pre-deposit to their management. Furthermore, their internality drive to help other people not only involve in their business but also those who are less fortunate because of their generous character. Moreover, they seem to prefer keeping a low profile. Their satisfaction comes from their accomplishment but keeping it silently. In fact, they do not like to tell anyone about their capacities. While networking approach mentions about skill and knowledge of small to medium-sized enterprise owner are acquired through

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their social relationship both inside and outside their organization. Network approach cannot be happen by only entrepreneur, but it relies on interaction between entrepreneur (individual) and other people. Therefore, another important factor for entrepreneur is to build their network because the first step to build the great network begins at entrepreneur.

Practical analysis

Prior knowledge, background and experience

Prior knowledge has been identified as an important component of creativity (Shepherd and DeTienne, 2005). Prior knowledge has an importance role to entrepreneur because it can lead to what person will do in the future. While the author attempted to create business in order to investigate what happened when entrepreneur was setting up their business, the author realized that every business he has thought involving in food area. For example, edible container that made by soy bean curd, healthy foods business and innovative restaurant which all of ideas was changed following the effect in that time.

- *Who I am*

Financial context seems to have strong effect on starting-up business. Majority of entrepreneur face the problem in lacking of resource. The same as the author who wanted to create edible container but he could not go any further because his prior knowledge tell him that what was required in the future. Therefore, this idea was rejected and changed to another possibility.

Because of failure, the author needed to look for other possibilities. In that time, the author had many ideas that could be successful but finally he has decided to create restaurant which is about herb, treatment and health. The same as entrepreneur C, who had changed her business many times due to effect from people, finance or her perception.

Causation	Effectuation
9.10 %	90.90 %

Effectuation theory		
Who I am	What I know	Whom I know
20.50 %	26.00 %	54.50 %

Table 3: % of using opportunity development

Table 4: % of using three approaches (effectuation process of the author)

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- *What I know*

It seems to happen when entrepreneurs (effectuators) start-up their business, they are flexible in their business and take the advantage from it. While the author decided to create business, he saw the soy bean curd that could be the biodegradable container. Thus, he tried to create edible container. Moreover, when edible container seemed to be unsuccessful and then he acknowledged in family member's illness, which motivated him create innovative restaurant.

- *Whom I know*

In the author's perspective, the strategic alliance is another important key to entrepreneur (especially effectuator). When the author wanted to create edible container, the author went to Idea lab in order to talk about his idea and ask for resource. The effect that the author deals with was there is no laboratory for the author's experimentation and the Idea lab require the prototype and their advice seemed unsatisfied the author. This effect motivated the author keep working on his project harder. Furthermore, many times that the author's idea was developed because of external effects; especially people. These effects had toughly influence to the author creating his business.

Learning process

Likewise, the author has attempted to create the business which some of ideas is fail. It could say that the author has learned both success and failure. In fact, learning from experience is a process of doing something difference from old experiences. Hence, entrepreneurial learning not only means learning from what have been successfully done or keeping away from what have failed, but also interpreting and applying the experience by the learners from what they have learned is a key of learning process.

Experimentation has been described as "a series of trial and error changes pursued along various dimensions of strategy, over a relatively short period of time, in an effort to identify and establish a viable basis for competing" (Nicholls-Nixon et al., 2000:496).

Empirical data and Practical data

- ❖ The relationship between individual (Prior knowledge, experience, background) and Opportunity development

Surprisingly, the result from empirical data and practical data show that prior knowledge has strong influence to entrepreneur during entrepreneurial process (especially startup stage). All participants (include the author) is likely to create business venture that involves to their prior knowledge that they already have.

In addition, all of traits, confident, belief for success in business could say that emerge primary in family. Even though, entrepreneurs have a high degree of passion, persistence, enjoyment, discipline, ruthless and shrewd in what they do, they are also ethical, sensible, and manage their business with integrity.

At the same time; their educational knowledge may limit capability to think wide. Therefore, talking with people would help entrepreneurs combining their prior knowledge with new knowledge. As the result, entrepreneurs would see their business opportunity clearer, better and wider.

❖ The relationship between Causation and Effectuation process

After analyzing both of entrepreneurs' data and nascent entrepreneurial data(the author), the author has discovered that effectuation process emerges in beginning of entrepreneurial process while causation process seem to appear when business is in stable stage (mature stage).

The correlation between causation process (expected maximizing return) and effectuation process (affordable loss) is both internal factor, in fact, it is cognitive approach (learning process). Undoubtedly, entrepreneur's performance is difference in each stage in business, when firm grows through mature stage, the entrepreneurs seem to change their focus on profitable and expand their business than affordable loss.

❖ Why the effectuation (especially whom I know) happen more than other (what I know, who I am)?

As the author mentioned before that there are both internal factor and external factor that affect on entrepreneur's performance, behavior and making decision. In the effectuation process also both external and internal factor, which is, affordable loss, experimentation and contingency are internal factors, on the other hand, strategic alliance are external factors.

When the author examined effect according to performance and behavior of participants, the result of effectuation process (especially whom I know) arise during the entrepreneurial process more than other processes (what I know, who I am). Therefore, the author could say that external factor (whom I know or strategic alliance) is more effective in business's start-up stage than the internal factors (affordable loss, experimentation and contingency are internal factors). In short, the strategic alliance is predominant factor in effectuation process than the other factors.

❖ Comparison between Opportunity development, Learning process, prior knowledge

From the result, while all participants leaned to set up their business following effectuation process, on the other hand, causation processes seem to arise more at entrepreneur B than other. The contrast between entrepreneur B and the other participants is experience.

Entrepreneur B has been in restaurant business before he set up his own restaurant. Actually, he seems to expand his business rather than starting-up a new business (he has been a partner in several restaurants). Moreover, the objective of his business was to get high expected return instead of affordable loss and experiment in effectuation process.

Moreover, according to entrepreneurial process, entrepreneurial cognition and making decision can be leaded by experience. Entrepreneur, who has experience in particular business, seem to realize and recognize what the customers want more than other entrepreneur who does not. Therefore, entrepreneur who has experience is likely to invest in business by borrowing money because of confident in its profit. On the other hand, entrepreneurs who have no experience uses affordable loss and experiment in his/her business in order to eliminate an uncertain one.

In summary, network seems to have strong influence in opportunity development processes, entrepreneurial learning process and prior knowledge. First of all, as the author mentioned that external factor (strategic alliance) has strong influence on entrepreneurial process which the author could say that strategic alliance is entrepreneurial network. Likewise, in entrepreneurial learning process, the networking approach is the last approach after experiential and cognitive approach because the

network cannot constantly survive if without strong foundation (individual). Furthermore, the more entrepreneurial networks are built, the more prior knowledge acquires.

After the author analyzed all data that came from empirical and practical data, the author realizes that while the author was in starting-up period, the author has changed business form all the time in order to find the possible business. The author now would like to set up restaurant business which, actually, the first business that the author wanted to do was edible container. Hence, the author believes that in the future, if the author continues looking for possible way to do the business, the author's product or service may be vastly different from beginning product or service.

Therefore, when the author is back to Thailand, the author will use the idea (healthy restaurant) of opportunity development for setting the author's business. The author will of course apply the knowledge, that has gained from study about opportunity development (both effectuation process and causation process), in real situation in Thailand. Moreover, the author is aware of the fact that knowledge comes from study may be not the same as knowledge that comes from experience. Therefore, in this research the author could say that the author has both knowledge which first come from study (research), on the other hand, the author has knowledge that come from experience because the author has already started his business (practical). This knowledge will be very useful for the author to do the business in the future

Discussion

After analyzing empirical data and practical data by relevant theories, the research shows that each entrepreneur has his/her own process when they started-up their business which depends on several factors. Hence, the author merely focuses on factors individual, opportunity development and learning process that effect on entrepreneur's behavior, performance and making decision during entrepreneurial process.

Firstly, the prior knowledge has strongly affected on entrepreneur creating their business. While entrepreneur plans to start-up business, his/her prior knowledge leads entrepreneurs creates business that involve in their prior knowledge. Moreover, in effectuation process, *whom I know* or *strategic alliance* tends to arise and predominate other effectuator's set of means (*who I am and what I know*). In addition, strategic

partner take the significant role and is useful for entrepreneur during starting-up of his/her business. In contrast, causation process is appeared in mature stage of business rather than startup stage. In fact, entrepreneurs who have well experience in business they attempt to use causation process in their business.

Besides, another important thing is entrepreneurial learning process. Learning is the most important factor from entrepreneur in interaction with effect. In fact, learning process is internal factor in all entrepreneurs, while external factor comes from outside entrepreneur. While entrepreneur faces with any circumstances, they interpret the effect and react to their business depending on knowledge, experience, and characteristic in that time.

As has already been mentioned, in startup stage of business, entrepreneurial network have strong effect during entrepreneurial process. Therefore, the author could mention that individuals, who want to do the business, they should create the network to support and contribute their business.

Self-criticism

1) The author should have interviewed all participants because the author will not gain only information that the author wanted to analyze but also acquires the emotion and feeling about their experience which it may be useful for this research (learning process). 2) The author realizes that personal involvement of the author may bias research results. A high degree of personal involvement is likely to misrepresent the way other people perceive circumstances and events especially when the author faced to circumstances involve stress or situation that might lead to an intense emotional response. 3) If the author could have opportunity to interview some entrepreneur, the author would interview successful entrepreneurs who may have more interesting information when they start-up their business. Moreover, they may have more detail while they set up their business.

Recommendation and suggestions

1) In the future, researchers, who would like to study or repeat this research and have more time in collecting data, should gain the data by interviews. The data from questionnaires may be insufficient for analysis, therefore, collecting data by interview can be useful because interviewees can go with the flow but the author should also have

main questions in order to avoid getting lost the main point.2) In addition, it may be better if the researchers could interview different kind of entrepreneurs (difference culture, background and business) for variety of data which can be reliability and trusty for research.

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