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Entrepreneurial Decision-Making Logics and Performance Outcomes in New Zealand’s Tourism SMEs

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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in Management, the University of Auckland, 2018.
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ABSTRACT

Researchers have attempted to develop a modern theory of entrepreneurship, but there is a continuing lack of consensus and no accepted unifying theory. Debates focus on elements such as the nature of entrepreneurial opportunities, the nature of the individual entrepreneur, and the approach to launching a new venture. This study focuses primarily on decision-making logics to start up new ventures, as well as on their antecedents and outcomes. The context for the study is the eco-tourism and adventure tourism sectors in the New Zealand economy. The founders of nineteen firms were interviewed to provide data on the entrepreneurial approach adopted during the start-up phase of the venture.

The study found that there are four broad decision-making logics adopted by entrepreneurs. Two decision-making logics were based on modified effectuation; one on causation; and one on bricolage. It was observed that effectual entrepreneurs adopted a goal-orientation approach, which was not consistent with effectuation literature. They combined an outside-in approach (i.e., goal orientation) with an inside-out (i.e., resource orientation) approach. This contribution advances the theory of effectuation and addresses the criticism that researchers have only partially built effectuation theory.

This study also showed that the choice of decision-making logic emerges from a combination of both the entrepreneurs’ cognitive domain (i.e., motivation and formal background) and emotional domain (i.e., the affinity for a type of opportunity). This finding has implications for theory as it incorporates the role that non-economic considerations plays. Cultural, social, and environmental causes do shape the decision-making logic that is adopted.

The study also found that high venture performance outcomes are unrelated to any particular decision-making logic, but to whether an extrinsic objective exists. Conversely, entrepreneurial satisfaction comes from adopting effectuation. Adopting elements of effectual or causal thinking is as essential to an entrepreneur’s performance outcomes as the entrepreneur’s motivation (either intrinsic or extrinsic) is to firm performance outcomes. The findings from this study contribute to both the academic debate on entrepreneurial decision making when launching firms and to the research on how different decision-making approaches affect performance outcomes.
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CHAPTER 1 - INTRODUCTION

1.1 Opening Comments

Over the past two decades, the field of entrepreneurship has been one of the fastest growing areas of research (Klein, 2008). As one of the core aspects of capitalism (Baumol, 1993), entrepreneurship has risen as one of the critical drivers of economic growth and prosperity. The entrepreneur is “the driving force of the whole market system” (Mises, 1949, p. 149), who creates value and wealth in an economy by providing new products and services, intensifying market dynamics and competition, and adding opportunities for employment (Baumol, Litan, & Schramm, 2007; Sheshinski, Storm, & Baumol, 2006).

Research on entrepreneurship has traditionally focused on the nature and sources of opportunities (Alvarez & Barney, 2010; Jackson & Dutton, 1988; McMullen, Plummer, & Acs, 2007), the factors explaining what individuals are better able to identify and exploit opportunities (Gruber, MacMillan, & Thompson, 2013 Short, Ketchen, Shook, & Ireland, 2010), and entrepreneurial cognitions (Baron, 2004; Mitchell et al., 2002). Overall, the vast majority of extant research in entrepreneurship theory focuses on either the emergence or the pursuit of an opportunity as one of the most important steps towards the creation of value in an economy (Alvarez & Barney, 2007, 2010; Dimov, 2011; Read, Song, & Smit, 2009).

The entrepreneurship literature provides a range of definitions of the entrepreneurship phenomenon (Westhead, Wright, & Mcelwee, 2011). There are differing understandings of the boundaries of research in entrepreneurship theory, as well as of the underlying foundations of entrepreneurial action (Zahra & Wright, 2011). However, there is a consensus in conceptualising entrepreneurship as a process that fundamentally centres on judgment decisions about opportunities (Choi & Shepherd, 2004; Gruber, MacMillan, & Thompson, 2008, 2013; McMullen & Shepherd, 2006). This includes the entire process, from the point when an opportunity emerges to the point when an entrepreneur engages in actions to exploit the opportunity (Autio, Dahlander, & Frederiksen, 2013; Minniti & Bygrave, 2001). The entrepreneurs’ decisions and judgments direct this pathway.

The notions of decision making and judgment have been the focus of interest in a variety of fields, including cognitive sciences, psychology, management, and sociology (Gilovich & Griffin, 2010). In particular, over the past few decades, researchers have focused on how individuals make decisions in conditions of uncertainty, and the role of heuristics and
cognitive biases (Tversky & Kahneman, 2016; Lerner, Li, Valdesolo, & Kassam, 2015; Garcia-Retamero & Dhami, 2013). Given that entrepreneurs are embedded in highly unpredictable environments, it is not surprising that the topic of decision making has attracted the attention of scholars, who are interested in understanding how entrepreneurs make decisions within these uncertain environments. Most research has emphasised how the cognitive characteristics of the individual entrepreneur (Choi & Shepherd, 2004; Grégoire, Corbett, & McMullen, 2011; McMullen & Shepherd, 2006), their self-image (Mitchell & Shepherd, 2010), inborn characteristics (Nicolaou, Shane, Cherkas, Hunkin, & Spector, 2008), prior knowledge, and personality traits (Zhao & Seibert, 2006) help them make sound decisions.

Despite the focus and progress of research on entrepreneurial decision making, scholars acknowledge that the field has become highly fragmented (Shepherd, Williams, & Patzelt, 2015). This fragmentation hinders the understanding of entrepreneurial decision making and curtails the possibility of explaining how it relates to other constructs (e.g., entrepreneurial motivation, background, venture performance outcomes). This thesis focuses on the various decision-making logics applied by individuals who choose to pursue an entrepreneurial career and how such logic leads to venture creation. It focuses on explaining the underlying actions and processes leading to business formation, on the one hand, and the determinants and consequences of the chosen decision-making logic, on the other. Understanding the decision-making logics adopted by entrepreneurs as well as their causes and consequence not only gives valuable insights into entrepreneurship, but also provides a basis to support venture creation.

1.2 Research Gap

While the characteristics of different decision-making logics have been researched in the past (Sarasvathy 2001a; Wiltbank, Dew, Read, & Sarasvathy, 2006), this study also examines the antecedents and consequences of such logics. This study follows Smolka, Verheul, Burmeister-Lamp, & Heugens (2016), who argue that more studies are needed to shed light on the relationships between decision-making logics and their determinants and consequences. Research has only recently started to explore this area (Harms & Schiele, 2012; McKelvie, DeTienne, & Chandler, 2013).

Decision-making logic in an entrepreneurial setting is defined as how entrepreneurs perceive and use information during the process leading to the formation of new ventures (Sarasvathy,
Entrepreneurial ventures require decisions that are very particular to their successful launch and survival. Three boundaries are suggested for the notion of decision making in this setting. First, new ventures respond to Knightian uncertainty, which refers to the concept that the future is not only unknown but fundamentally unknowable (Knight, 1921). Second, goal ambiguity is a significant part of organisational decisions in a new venture context (March, 1994). Third, decision-making as a conduit for an entrepreneur or venture either being determined by environmental influences or controlling the environment. In other words, the latter refers to decision-making as the enactment of an entrepreneur’s environment (Weick 1979). Therefore, decision-making is a construct that involves the notion of prediction, goal ambiguity, and the individual’s extent of influence on the environment. These three boundaries are expanded for this study to incorporate the entrepreneur’s modes of thinking, whether systematic, intuitive or improvisational, as suggested by Mintzberg and Westley (2001). Furthermore, another aspect of decision-making that is considered in this study is proposed by Hastie (2001), who refers to decision-making as an individual’s preferred choice and action, particularly how an individual combine desires (values, goals) and personal beliefs (expectations, knowledge) to choose a course of action.

In the first-ever meta-review of literature on entrepreneurial decision-making logics to launch new ventures, Shepherd et al. (2015) argue that this topic is one of the areas where research has become highly fragmented. They also argue that by “testing cross-level models of decision making in entrepreneurial tasks, research in this area can add significantly to the literature on entrepreneurship” (p. 277). Furthermore, they point out that, while previous studies have created knowledge on entrepreneurial decision making, such studies have only provided a foundation for more work on the subject. Whereas the emphasis of existing entrepreneurship research in the area of decision-making logics was traditionally on whether there are differences between entrepreneurs and non-entrepreneurs (Shane & Venkataraman, 2000; Busenitz & Barney, 1997; Mitchell et al., 2002; Baron, 2004, 2006; Mitchell et al., 2007), this study looks at how decision-making logic “brings into existence future goods and services” (Venkataraman, 1997, p. 120).

Previous research has studied some of the factors influencing the entrepreneurs’ choice of decision-making logic to exploit opportunities. Some studies conclude that important factors include the entrepreneur’s knowledge of customer demand, related technologies, managerial
competencies, and external support (Choi & Shepherd, 2004). Decisions are arrived at after a process of rational resource evaluation (Haynie, Shepherd, & McMullen, 2009). Blanchflower, Oswald, and Stutzer (2001) argue that human capital, specifically education and experience, also influence the decisions to exploit opportunities. Other studies emphasise the importance of the entrepreneur’s resources at hand to decide what opportunities to exploit and how. However, the study of how some entrepreneurs choose to exploit opportunities found in proximity to their background, and some others choose opportunities based on the resources at hand, or indeed whether motivation plays a role in choosing a decision-making logic, has mostly been neglected. For example, Shepherd et al. (2015) argue that future contributions to the field of entrepreneurial decision making are likely to come from (1) exploring the role of non-economic considerations in the decisions relating to entrepreneurial opportunity, (2) exploring the relationship between motivation and the use of decision-making tools, and (3) the relationship between entrepreneurial vision and decision making. Overall, there is a limited consideration in the literature of the range of entrepreneurial determinants affecting the choice of entrepreneurial logic. This study addresses this gap.

Figure 1.1 provides an overview of the theoretical perspectives that guide the research. The figure shows a framework based on Bygrave (1989, 2007) and the findings of Shepherd et al.’s (2015) meta-literature review. Within the area of entrepreneurship, this study attempts to address some of the fragmentation in research that occurs in the understanding of the entrepreneurial process, which comprises the entrepreneurial decision-making logic, the entrepreneur (as antecedent), and the resulting performance outcomes. Researching entrepreneurial ventures requires a decision about how the researcher intends to study the phenomena of entrepreneurship (Low and MacMillan, 1988). For this study, the framework in Figure 1.1 incorporates the Bygrave-Moore model (Bygrave, 1989) as a starting point to provide a systematic way of exploring the phenomena under study. The constructs within the model are explored in detail in Chapter 2. The gap in the literature around the notion of decision-making logic gives rise to an exciting opportunity for research.
This thesis addresses this opportunity with the following research questions:

**Q1:** How do New Zealand entrepreneurs adopt a decision-making logic to start new ventures?

**Q2a:** How does the entrepreneur’s motivation relate to the decision-making logic that is adopted?

**Q2b:** How does the entrepreneur’s background relate to the decision-making logic that is adopted?

**Q3:** How do performance outcomes relate to the decision-making logic that is adopted by the entrepreneur?

These questions about how entrepreneurs adopt a decision-making logic to establish innovative new ventures and what are the performance outcomes are consistent with questions raised in the current entrepreneurship literature concerning such issues. This thesis provides evidence to inform that line of inquiry.
1.3 The Context

The empirical data collection was conducted in New Zealand, which includes a significantly substantial number of small businesses. In 2016, there were 487,602 businesses registered in New Zealand. Over 70% of those businesses had no employees, and 97% employed no more than 19 employees (Ministry of Business, Innovation, and Employment, 2016). This fits the OECD prescription of SMEs, namely no more than 19 employees.

Within the specific context of New Zealand entrepreneurial ventures, this study focuses on tourism entrepreneurs within the adventure and eco-tourism sub-sectors. The reason for looking at these two sub-sectors of tourism is twofold: (1) they represent a market in which innovative products or activities can be found, hence relatively high entrepreneurial activity, and (2) they include products or activities that fall within a long-standing marketing campaign overseas using the 100% Pure New Zealand by-line. This campaign is based on sustainable “clean and green” resources and outdoor activities (Warren & Taylor, 1994) that rely on features of the natural terrain (Buckley, 2006). Hence adventure tourism and eco-tourism are considered strategically essential to the success of this tourism campaign and New Zealand’s tourism economy.

The tourism sector’s direct contribution to New Zealand’s economy was over $10.6 billion per annum in 2015, with a further $7.9 billion of indirect contribution (Statistics New Zealand, 2015). This accounts for 4.9% and 3.6%, respectively, of New Zealand’s GDP. Tourism is a significant source of employment, with one in 15 working New Zealanders directly employed by the sector and another one in 20 indirectly employed. International tourists contribute 17.4% of foreign exchange earnings, and this makes the tourism sector New Zealand’s largest export sector. On one dimension, the sector is heterogeneous because it comprises a wide range of niche markets for its participants but, on another dimension, it is quite homogeneous as some 85% of the business are small and medium-sized enterprises (SMEs) employing fewer than five people. Estimates put the total number of tourism-related SMEs at between 13,000 and 18,000, plus ten publicly listed companies (Statistics New Zealand, 2015).

The Tourism Strategy Group and the Tourism Satellite Accounts apply different criteria when classifying the industries that operate within the broad tourism sector. However, both sources include industries such as accommodation, attractions, activities, transport, airlines, hospitality, organised tour groups, and events within the sector. The two specific niche
markets or industries on which this study focuses (i.e., adventure tourism and eco-tourism) comprise 13% and 5%, respectively, of the sector’s companies. Adventure tourism has been selected for this research following Ateljevic and Doorne’s (2000) study that points out that adventure tourism enterprises create new products, thus making a significant contribution to a country’s innovation capabilities. Eco-tourism has been selected because it represents the core industry underpinning New Zealand’s 100% pure branding campaign to attract overseas tourists. Most of the innovative entrepreneurial activity is found in these two sub-sectors.

In addition to the importance of tourism to the New Zealand economy, there are essential reasons from the scholarly point of view to choose that sector. In a recent meta-study review of entrepreneurship in the tourism sector, Solvoll, Alsos, and Bulanova (2015) showed that there are critical areas for further research involving tourism entrepreneurship. These areas include (1) the origins and development of tourism ventures, (2) entrepreneurial behaviours in the start-up of tourism ventures, and (3) types of tourism entrepreneurs. Also, recent calls have been made for context-specific entrepreneurship research to advance theory building (Welter, 2011; Zahra, 2007). The tourism context includes specific characteristics that allow scholarly analyses that can advance entrepreneurship theorising, in addition to the importance of understanding the phenomenon of tourism entrepreneurship.

1.4 Research Purpose

As mentioned by Solvoll et al.’s (2015) meta-review, there are limited studies on entrepreneurial decision making in a single industry setting, and with a consistent performance outcome construct. Undertaking such a study is expected to deliver several theoretical and practical contributions. Theoretically, this study contributes to the debate about decision-making logics, especially the dilemma between rational (or causal) and pragmatist models of entrepreneurship (Baum, 2002). Given that the rational perspective of how entrepreneurs search and exploit opportunities has dominated the literature, this study expands on current research by incorporating the pragmatist perspective. The pragmatist model of entrepreneurship has been the focus of attention within the context of effectuation theory (Sarasvathy, 2003) and bricolage (Baker & Nelson, 2005). Advancing theory on effectuation as a decision-making logic is essential because effectuation researchers have been criticised for partial theory building (Arend, Sarooghi, & Burkemper, 2015, 2016), and several scholars have debated the future of the effectuation literature (Garud & Gehman, 2016; Gupta, Chiles, & McMullen, 2016; Read, Sarasvathy, Dew, & Wiltbank, 2016;
Reuber, Fischer, & Coviello, 2016). However, this study’s research design leaves open the possibility of analysing a potential range of entrepreneurial decision-making approaches if these are observed in the sample.

Following Perry, Chandler, and Markova’s (2012) call to clarify the differences and relationships between the two dominant entrepreneurial decision-making logics (i.e., causation and effectuation), this study assesses empirically the antecedents of and outcomes from any decision-making logic observed, or combination of them. Furthermore, by analysing how entrepreneurs applied such logics and viewed the effect on new ventures, this study establishes how each logic relates to venture outcomes. Overall, the primary research outcome that this study seeks to achieve is a better understanding of how differences in background and motivation affect the entrepreneurial decision-making logic adopted, and how (in turn) such logic relates to firm performance outcomes. Specifically, the objectives that this study seeks to achieve are to:

1. explore the range of entrepreneurial decision-making logics that entrepreneurs adopt in the pursuit of launching a new firm;
2. explore how the decision-making logic adopted by the entrepreneur affects firm performance outcomes; and
3. examine the relationship between the entrepreneurial decision-making logic and the entrepreneur’s background and motivation to become an entrepreneur.

Specifically, this study contributes to the field of entrepreneurship by revisiting the relationships among (1) the determinants of adoption of decision-making logics for new venture formation, (2) the different types of decision-making logics adopted, and (3) the performance outcomes from adopting different logics. By focusing on the “entrepreneurial start-up project” as the unit of analysis, this study empirically examines how differences in two antecedents (i.e., background and motivation) relate to differences in decision-making logics, and how these different logics lead to different performance outcomes.

Current research on entrepreneurial decision making and firm performance outcomes have placed different emphasis on each type of entrepreneurial approach while not viewing the entrepreneur within the context of specific industries. The mainstream of entrepreneurship and SME research has overlooked tourism while focusing extensively on “the small firm within manufacturing, information technology, and financial services, to the detriment of the
tourism sector.” (Shaw, 2004, p. 123). Additionally, the literature that focuses on entrepreneurship and firm performance outcomes has not included the tourism industry (Lerner and Haber, 2001). Studies that focus on the relationship between decision-making logic and tourism firm performance outcomes are limited, and no study focuses specifically on effectual logic and tourism firm performance outcomes (Read et al., 2009). The current study expands the research literature on decision-making typologies in conditions of uncertainty by focusing on entrepreneurial characteristics that may be relevant to tourism entrepreneurs and tourism ventures.

The contributions to the entrepreneurial body of knowledge will also provide insights for practitioners and policymakers on how to best assist entrepreneurs when starting a new venture. To inform the policy and practice debate, this study highlights the relationship that exists between the tourism firm performance outcomes construct and the entrepreneur’s decisions, actions, and behaviour. First, the study guides practitioners and policymakers on whether resources can be efficiently utilised if they are targeted towards entrepreneurs with specific backgrounds and experience. Second, the study informs practitioners and tourism policymakers on the rationale that explains and unifies conflicting typologies and perspectives, such as systemic exploration of opportunities (Fiet, 2002), spontaneous recognition (Shane, 2000a), and effectuation (Sarasvathy, 2008), as well as their relationship with firm growth and performance outcomes. As Sarasvathy argues, one of the appealing features of understanding the process of entrepreneurial expertise is that elements of expertise can be organised into a set of principles, which can be used as testable decision-making and problem-solving techniques.

Currently, Tourism New Zealand provides some tools to assist individuals with starting a new tourism business. Those tools are primarily based on the rational or causal model of decision making and assume that information can be collected at a low cost over ample time. Such situations are far from realistic or indeed ideal in many decision-requiring settings. Many tourism entrepreneurs and would be owner-managers are faced with lack of reliable information and insufficient time to reach considered decisions. Rational decision-making theories cannot lead to optimal results unless the time for and depth of analysis is extensive; instead, heuristics and other cognitive techniques that are based on shortcuts and quick procedures are appropriate. Individuals who attempt to set up a tourism business may be better served by cognitive approaches that match firm start-up-related requirements with
appropriate decision-making techniques (Baron and Ward, 2004). This study informs practitioners of these decision-making approaches and how various approaches may relate to performance outcomes.

The study of the relationship between entrepreneurial decision making and firm performance outcomes presents methodological difficulties. However, a study in which entrepreneurial decision-making processes distinguish successful firms from unsuccessful firms is relevant to inform would-be tourism entrepreneurs before they embark upon an initiative. As Davidsson (2002) points out, “providing normative advice to practitioners, students, and novice entrepreneurs is an important contribution” (p. 16) – entrepreneurship research should not be descriptive only. Cognitive schemata cannot be learned from checklists or books, but it may be possible to train novice entrepreneurs through simulations. Mitchel and Chesteen (1995) point out that the development of an individual’s cognitive schemata in a short period could be done by, for example, using entrepreneurial scripts, coaching by expert entrepreneurs, or providing heuristic models. This enables novice entrepreneurs to make quick, adequate decisions within entrepreneurial settings (Mitchell et al., 2002).

Overall, the research yields a conceptual framework that takes into account the background differences among tourism entrepreneurs and relates such differences to the entrepreneur’s approach to decision making, which in turn may lead to varying levels of firm performance outcomes. The framework highlights what practitioners, policymakers, and funders should consider and review when assisting entrepreneurs with the process of decision making during tourism venture start-up and growth; for example, the entrepreneur’s inventory of his/her means, awareness of affordable loss under a worst-case scenario, and the identification of partners with complementary skills or assets.

The research provides insights for tourism SMEs on what actions should be implemented to create an environment where the tourism firm will have an inherent advantage or enhanced performance outcomes. As Read and Sarasvathy (2005) argue, if firms are going to thrive in the face of fast market and competitive changes, they need approaches suited to dealing with uncertainty. In other words, this study provides evidence as to whether uncertainty in tourism SMEs can be managed efficiently by applying specific principles or logic, such as effectual principles or causal logic of prediction.
1.5 The Empirical Process

To address these research questions, this thesis builds further on process studies in the tradition of venture formation. Following suggestions made by the entrepreneurial processes literature as well as critical realism, this study involved the collection of data from multiple cases. In particular, as Easton (2010) and Sayer (2000) highlight, critical realism involves elements of the interpretive philosophy, which requires qualitative data. Therefore, this study adopts a case study approach, which is appropriate particularly for crafting a detailed view of reality. The case study method has been the traditional method that critical realists have chosen. Harrison and Easton (2004) point out that this method allows critical realist researchers to draw on a variety of data sources, mainly interviews. A case approach under a critical realist paradigm is appropriate when the event or phenomenon under examination is bounded and complex (Easton, 2010), such as decision-making logics. Multiple case studies can produce in-depth descriptions of events and their underlying processes as well as a persuasive explanation of cause-and-effect constructs and a better understanding of such constructs (Siggelkow, 2007), like entrepreneurs’ background, motivation, and performance outcomes in the case of the present study. As Blundel (2007) points out, they can make clear the intricate and non-explicit processes that explain how and why an event occurs.

Overall, multiple case studies can generate an in-depth, real-world explanation of a phenomenon that can lead to compelling explanations of the phenomenon’s underpinning mechanisms, thus enriching theory (Eisenhardt, 1991; Eisenhardt and Graebner, 2007). The outputs from the multiple case study approach include a detailed, real-world picture of the phenomenon or event explored. Furthermore, Blundel (2007) argues that multiple cases can uncover causal explanations, as well as unobservable, concealed, and obscure elements that explain how an event occurs. This is also supported by Benbasat, Goldstein, and Mead (1987), who argue that case studies are particularly appropriate for answering how questions. Yin (2008) argues that case studies are suitable when examining a phenomenon within a specific context, such as new venture launch. The primary advantage of a case study strategy is that it allows the researcher to build on a variety of data sources as well as different levels of analysis which facilitates both understandings of the case as well as explaining it (Bonoma, 1985). When secondary data is incorporated, multiple cases can also take into account factors outside the agent’s control, hence providing an all-encompassing view of a phenomenon, and, consequently, a complete, rigorous explanation.
The primary mode of data collection was the stories of the entrepreneurs themselves, as suggested by the literature on critical realism (Bygrave, 2007; Easton, 2010; Fletcher, 2007). Nineteen entrepreneurs have been included in this study. The entrepreneurs were selected by their direct involvement with the process of venture formation. Having entrepreneurs as critical informants is at the essence of entrepreneurship research because the insights from critical individuals are core contributions to the field. The primary data came from interviews, and such data were triangulated using secondary sources.

The data analysis process followed Yin (2008) and Miles and Huberman (1994), as it will be explained in Chapter 4. Firstly, case vignettes providing narratives of the entrepreneurs’ stories were prepared to facilitate further analysis. The analysis focused on finding similar themes through constant comparisons between the cases, and from such themes, four decision-making logics emerged. Following the exploration of four decision-making logics, further analysis revealed similarities in background and motivations in the entrepreneurs that adopted a similar logic, as well as similar performance outcomes. This study thus rests on sampled cases and the constant comparison between data collected from these cases. The findings presented are the result of these comparisons.

1.6 Thesis Structure

This thesis is structured as follows. This chapter has outlined the research problem and research questions that will provide focus to the study, as well as the motivation, impact, and contribution of the research.

Chapter 2 outlines the theoretical foundations of entrepreneurship issues central to this research. The chapter starts by presenting an overall model for reviewing relevant literature around entrepreneurship and entrepreneurs, and later discusses the topics of decision-making logic, the background characteristics of the decision-maker, his/her motivation to start a venture, and the outcomes of the decisions made. This chapter states perspectives and assumptions, as Gartner (2007) suggested. It responds to Gartner’s (2007) proposition that articulated assumptions and perspectives need to be formulated to answer the questions of how and what should be studied under the topic of entrepreneurship. A framework based on Bygrave (1989, 2007) and the findings of Shepherd et al.’s (2015) meta-literature review provides an overall structure to the chapter.
Chapter 3 outlines the context within which this study will be developed, namely the tourism industry. This chapter argues that, despite the existing research that explores the notion of entrepreneurship in the tourism sector, the relatively limited number of studies precludes building a synthesised body of knowledge for researchers, policy-makers, and practitioners (Solvoll et al., 2015). Selecting the New Zealand tourism sector as the context for this study contributes toward addressing that shortcoming.

Chapter 4 describes the methodology and methods used in this study. The chapter explains and justifies the critical realism research philosophy, which was used in this study, and outlines the research strategy, which is based on multiple case studies. The chapter provides a nexus between the theoretical foundation of this research that was developed in Chapter 2 and the empirical phase. The sampling method, the data collection procedures, and the steps taken to establish reliability and validity of the research are also covered.

Chapter 5 goes to the core of the way that entrepreneurs make decisions. Through this analysis, this thesis uncovers the existence of four broad types of decision-making processes. The chapter compares and contrasts the various decision-making logics employed by different entrepreneurs that led to launching new ventures. It provides a summary of how the interviewees went about the processes spanning from the decision to become an entrepreneur to acting upon a promising venture. The chapter shows that not every entrepreneur took the same steps and, depending on the specific steps an entrepreneur made, a preferred decision-making logic emerges.

Chapter 6 investigates the relationship between the decision-making mode and its antecedents, specifically the entrepreneur’s background. This chapter examines whether the different backgrounds, experiences, and expertise that entrepreneurs possess before launching the venture influence the choice of decision-making logic that is adopted. It suggests that (1) the entrepreneur’s human capital, which includes the stock of factors intrinsic to entrepreneurs that they possess at any one point in time, influences their approach to decision making, and (2) the decision-making process adopted by the entrepreneur results in varying levels of firm performance outcomes. The chapter establishes a plausible link between the entrepreneur’s background and the decision-making mode that the entrepreneur adopts, and subsequently with performance outcomes.
Chapter 7 examines the relationship between entrepreneurial decision-making logic and performance outcomes from the perspective of both firm performance outcomes and entrepreneur performance outcomes. The chapter argues that the effects of the decision-making logic followed by entrepreneurs are more evident and more transparent than those followed by managers in large, established firms. It examines the resulting outcomes from entrepreneurial action to provide evidence to draw conclusions on the effectiveness of the decision-making logic taken by the entrepreneurs pre-launch. This chapter shows that the constructs or firm performance outcomes and entrepreneur performance outcomes are unrelated to each other, but that a relationship exists with the approach to decision making.

Chapter 8 discusses the findings of theoretically-derived expectations from the literature review and research trends. The chapter both combines the analysis of the previous three empirical chapters and consolidates the results of this research to generating insights from it. It argues that a specific decision-making mode results in a different level of either firm or entrepreneur performance outcomes while exploring the stock of human capital that entrepreneurs bring with them when they embark on the decision-making process leading to the launch of a new venture.

Finally, Chapter 9 offers the conclusions that can be drawn from this research. It highlights the study’s contribution to the body of research and theory, as well as the implications for practice and policy formulation.
CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

Koppl (2007) argues that:

Entrepreneurship research today is rich in fact but poor in theory. Entrepreneurship scholars have produced many important empirical results. No broad theoretical framework has yet emerged, however, that might give them coherence and order. Without a broad theoretical framework for scholarly work in entrepreneurship, it is hard to decide which empirical results are complementary and which are contradictory, which are more important and which less. It is hard to know what general inferences to draw and which puzzles and questions are most worth examining. (pp. 4-5)

Despite the plethora of studies, no integrated picture of entrepreneurship is emerging (Koppl & Minniti, 2003). The reason for this inefficient theoretical assortment is the tension that exists between disciplinary research and the domain of entrepreneurship research. Entrepreneurship research follows from the perspective of established disciplines like economics, psychology, sociology, and management (Li, 2008). There are few possibilities of interest to entrepreneurship researchers that are not captured by traditional fields, so entrepreneurship researchers use existing theories from their disciplines to seek knowledge in an entrepreneurial context (Landstrom, 2005). Arguably, this approach may not lead to addressing core questions of entrepreneurship because entrepreneurship is a complex phenomenon, which may require new models to explain it. Developing a robust entrepreneurship-specific theory-base will bring order, coherence, and unity to the growing body of empirical research in entrepreneurship.

To contribute to the development of a more integrated body of knowledge and prevent further fragmentation of the topic, this study will state perspectives and assumptions, as Gartner (2007) suggested. Gartner’s (2007) views reflect Low and MacMillan’s (1988) seminal article “Entrepreneurship: Past Research and Future Challenges,” which proposes that clearly articulated assumptions and perspectives need to be formulated to answer the questions of how and what should be studied under the topic of entrepreneurship. To achieve such aim, a framework based on Bygrave (1989, 2007) and the findings of Shepherd et al.’s (2015) meta-literature review provides an overall structure to the chapter. The framework is shown in Figure 2.1. Within the area of entrepreneurship, this study attempts to address some of the fragmentation in research that occurs in the understanding of the entrepreneurial process, which comprises the entrepreneurial decision-making logic, the entrepreneur (as antecedent), and the resulting performance outcomes.
This chapter presents an overview of the constructs appearing in the framework and the research questions. Section 2.2 develops a definition of the entrepreneur (as an antecedent to entrepreneurial action) and a definition of entrepreneurship. It looks at what distinguishes entrepreneurs from non-entrepreneurs and highlights the studies conducted to determine the specific characteristics of an entrepreneur’s behavioural, personality, and cognitive traits. Section 2.3 explores the construct of the entrepreneur’s background, which will be used in this study. Section 2.4 examines the entrepreneur’s motivation to start a new venture. The section presents the various motivation theories in the context of entrepreneurship and explains the extrinsic and intrinsic motivations for starting a new venture. Section 2.5 explores the two primary decision-making logics that entrepreneurs adopt to move to action, both causal and effectuation. Section 2.6 examines the issue of performance outcomes.

2.2 What is Entrepreneurship and Who is the Entrepreneur?

Following Low and MacMillan (1988), this section looks at how to study the phenomena of entrepreneurship and the entrepreneur as an individual. The purpose of this section is to provide a framework to the questions of what is entrepreneurship and who is the entrepreneur, as shown in Figure 2.2
The notion of entrepreneurship has been defined in numerous ways. Schumpeter’s (1934) definition of entrepreneurship was the delivery of “new combinations.” Kirzner (1973) defined it as the exploration of opportunities and Davidsson (2016) conceptualised it as the introduction of changes in the marketplace due to new economic activity. There is no single definition of entrepreneurship, and there are inconsistencies among existing definitions (Brockhaus & Horwitz, 1986; Gartner, 1989; Waldinger, Aldrich, & Ward, 1990). Likewise, numerous perspectives have been adopted in an attempt to explain entrepreneurial action, and a variety of models and conceptual frameworks from a myriad of fields, such as economics, sociology, and psychology, have been developed.

The range of disciplines used to study entrepreneurship underpins the differences in definitions and perspectives to study the phenomenon of entrepreneurship. Storey and Green (2010) point out that an approach from, for example, the economics field would emphasise the entrepreneur’s choices as well as the outcomes from such choices, whereas psychologists would focus on cognitive processes. The variety of approaches, while adding richness to the understanding of entrepreneurship, leads to a disagreement about the specific focus and range of constructs that should be considered within the field. Entrepreneurship research has traditionally focused on three constructs: the entrepreneur, the process of venture creation, and the determinants of venture growth. Arguably, the existence of three constructs
is the result of a certain degree of disagreement about the phenomenon of entrepreneurship and what should be studied within entrepreneurship.

Entrepreneurs have been studied for some 300 years as economic and social agents. Such studies have researched not only the individual *per se* but the results of entrepreneurial action and its economic impact (Gartner, 2013). Bentham (1780), Cantillon (1730), Kirzner (1973), Knight (1921), Schumpeter (1934), Smith (1776), and other early scholars and researchers have contributed to shaping the definition of entrepreneur. The word “entrepreneur” originated in the French language and was coined by Jean Baptiste Say (1885) in the 1800s, and takes its meaning from one who undertakes, attempts, or tries a task (Dees, 2001; Carland, Carland, Hoy, & Boulton, 1988). Initially, researchers defined the entrepreneur as the individual behind the process of creating something novel and different with intrinsic value (Bentham, 1780; Cantillon, 1730; Kirzner, 1973; Schumpeter, 1934; Smith, 1776). More recently, scholars defined the entrepreneur’s actions as the creation of new products, development of new markets, and creation of new firms and structures (Bergmann, Mueller, & Schrettle, 2014; Covin & Miller, 2014; Runyan, Ge, Dong, & Swinney, 2012; Wang & Chugh, 2014).

Baumol (1968), acknowledging the apparent overlap of concepts and the subtlety of the definition or description of an entrepreneur, proposed that a distinction be made between an entrepreneur and a manager. According to Baumol (1968), managers’ preoccupation was the efficiency of business operations while entrepreneurs focused on the implementation of new ideas. For Baumol, innovation and exploration were critical components of the vision of an entrepreneur. Baumol further suggested that an entrepreneur’s initiative was necessary to bring new ideas and innovation to light, whether through advances in technology or changes in industry dynamics. Baumol argued that there was a lack of theory relating directly to the entrepreneur construct and suggested the development of such theory based on the risk and reward experienced by the entrepreneur through enterprise.

Baumol (1968) was, in fact, building on Schumpeter’s (1934) view of entrepreneurs. For Schumpeter, entrepreneurs are the mavericks who enable disruption and innovation within industries. The concept of creative destruction was at the heart of the engine of growth in capitalist societies. He argued that products, processes, and businesses should be destroyed so that they can be remade better, faster, and cheaper (Schumpeter, 1942). By focusing on the entrepreneurs’ characteristic of introducing innovation and change while enabling
growth and wealth creation, Schumpeter originated a stream of literature that focused on the differences between entrepreneurs and non-entrepreneurs. Schumpeter was concerned with the entrepreneurs as the vehicle for social and economic change rather than with entrepreneurial action (in general) and the process of venture formation (in particular).

2.3 The Background Characteristics of the Decision Maker

This section follows Bygrave (1989), Davidsson (1991), and Shepherd et al. (2015) to consider the entrepreneur’s background as an individual-level antecedent to entrepreneurial action and decision-making logic. This is shown in Figure 2.3, which provides context to this section. Bygrave (1989) argues that the entrepreneur’s background is the first stage (out of four) that describes the entrepreneurial process.

The construct of background is at the core of entrepreneurial competence and captures a wide array of factors, such as education, work experience, passions, heritage, personal characteristics, and skills. Likewise, Sarasvathy’s (2008) theory of effectuation suggests that the starting point for the entrepreneurial journey is the reflective process that entrepreneurs embark on before moving into action. This reflective process focuses on three questions: Who am I? What do I know? Whom do I know? The entrepreneur’s background sets part of the foundation for this research’s fieldwork and provides the theoretical background for the discussion of the results. This interest in the individuals behind new ventures leads to one of the research questions:
Q2b: How does the entrepreneur’s background relate to the decision-making logic that is adopted?

While there has been much speculation about the underlying individual characteristics of the entrepreneur that influence the trajectory of an entrepreneurial venture, most studies contain variables with a significant amount of variation to make them useful for predictive purposes. Some studies (e.g., Dobbs & Hamilton, 2007) included over 30 independent variables to explain the performance outcomes of small businesses, but other frameworks have been parsimonious in explaining aspects of the entrepreneur’s background and linking them to how firms are formed and grow.

Sarasvathy’s (2008) theory of effectuation presents a focused view of the role of an individual’s background in determining individual action, in particular, Sarasvathy’s (2008) questions Who am I? and What do I know? The former question refers to the entrepreneurs’ likes, dislikes, passions, heritage, and general traits. The latter question refers to the construct of knowledge, and it incorporates several factors, such as education, start-up experience, industry-specific experience, management experience, and work experience (Rosenbusch, Brinckmann, & Bausch, 2011). These factors will be summarised in the following sections.

2.3.1 Personal traits as part of the entrepreneur’s background
The focus on the individual actor in entrepreneurship has resulted in a robust entrepreneur-centric approach in the literature. Motivated by the fields of psychology and sociology, researchers have embraced the Schumpeterian tradition and attempted to establish what personal traits distinguish entrepreneurs from non-entrepreneurs. Research on differences is vast, and it has focused on exploring differences in personality, cognitive traits, and, more recently, actual behaviour. In general, research on what distinguishes entrepreneurs began by examining differences in risk-taking (Brockhaus, 1980), locus of control (Rotter, 1966), need for achievement, power, and affiliation (McClelland, 1961).

The notion that entrepreneurs are risk takers has recurrently appeared in research over the decades, and current research (Ashraf & Qureshi, 2010; Macko & Tyszka, 2009) supports the idea that risk is the critical factor that differentiates between entrepreneurs and non-entrepreneurs, in addition to higher need for achievement and being more ambitious (Kreiser, Marino, Dickson, & Weaver, 2010). Macko and Tyszka (2009) argued that the
entrepreneur’s perceived risk appetite was, in fact, a proxy for a greater sense of self-efficacy than non-entrepreneurs. Rotter (1966) found that entrepreneurial individuals believed they could control their destiny, were alert to the environment for information and tried to influence their immediate environment. Self-efficacy is what drives entrepreneurs to perceive a given situation as less risky than non-entrepreneurs. In parallel, other researchers found that, contrary to popular belief, entrepreneurs were risk-averse, or at least, had a risk propensity similar to that of the general population (Reid et al. 2005).

Following the Schumpeterian tradition, research (e.g., Aldrich & Martinez, 2001; Hwang & Powell, 2005; Baumol et al., 2007) looked at how entrepreneurs act differently from other people, how they solve problems, and how they perceive the world. The emphasis of this stream of research is on the entrepreneur as the critical factor in driving economic growth and change. An example of this research perspective is Baumol’s (2007) research, which eschews the importance of the venture formation processes and favours the innovation capabilities of the entrepreneur as the driver of economic growth. For Baumol, new ventures do not necessarily come to being as a result of innovative activity, but they are sometimes established in the absence of innovation.

Both the personality traits school and the behavioural school distinguish an entrepreneur from the business owner or the small new business founder. Both schools argue that entrepreneurs possess a psychological profile aligned with innovation, whereas business owners pursue stability (Wagener, Gorgievski, & Rijsdijk, 2010). Wagener et al. (2010) argued that, when compared to small business owners, entrepreneurs have a high level of independence, tolerance toward ambiguity, and risk-taking propensity. Small business owners are content with creating a business of controllable size and are reluctant to grow it (Carland, Hoy, Boulton, & Carland, 1984), the business is regarded as a primary source of income. Liang and Dunn (2011) argue that entrepreneurs seek autonomy, gaining skill, and realising a dream.

The approach to assessing objective characteristics was not without detractors. For example, Gartner (1989) criticised the attempts at explaining entrepreneurial action through personal characteristics. His views were supported by a literature review that showed so many significant conflicting definitions of what constitutes an entrepreneurial personality as to render the personality and cognitive traits approach meaningless. Gartner (1989) suggested
that exploring the entrepreneur’s behaviour could result in better profiling of the characteristics of an entrepreneur.

Alongside Gartner’s criticism of the cognitive and personality traits approach, other early studies have implicitly or explicitly considered measurable, objective individual characteristics (Miesenbock, 1988). This stream of research included factors such as education (Kundu & Katz, 2003), prior work experience (Zucchella, Palamara, & Denicolai, 2007), international experience (Roth, 1995; Bloodgood, Sapienza, & Almeida, 1996), management capability and the entrepreneur’s age (Westhead, Wright, & Ucbasaran, 2001), background (Madsen & Servais, 1997), and experience (McDougall, Shane, & Oviatt, 1994; Madsen & Servais, 1997). Studies on objective characteristics often adopt a resource-based view of entrepreneurship (Roth, 1995; Conner & Prahalad, 1996; Westhead et al., 2001) and depart from the study of behavioural, personality, and cognitive traits.

Further research focused on studying whether there are differences in metacognitive thinking variables between entrepreneurs and non-entrepreneurs. For example, Haynie, Shepherd, and Patzelt (2012) found that entrepreneurs use more metacognitive thinking, appear to be more adaptable in their thinking, and have lower decision incongruence (Mitchell & Shepherd, 2012). Moreover, entrepreneurs act on intuition (Blume & Covin, 2011) and are heterogeneous in their assessments of risk and their emotional reactions (Baron, 2008). Over more recent years, subjective entrepreneurial factors within the notion of international entrepreneurship have been the focus of research, particularly entrepreneurial cognition and associated behaviour (Oviatt & McDougall, 2005; Schweizer, Vahlne, & Johanson, 2010; Jones, Coviello & Tang, 2011; Andersson, 2011).

Whether entrepreneurs are different is a recurrent argument that was reignited further by researchers such as Read et al. (2010), who argue that fifty years of research on personality and cognitive traits have rendered no conclusive evidence that entrepreneurs are different. However, whether the debate is settled or otherwise, entrepreneurship remains mostly explained as a phenomenon that pertains at the individual level. In particular, the entrepreneurial characteristics that will be the focus of this study are the entrepreneur’s background before starting the venture and the entrepreneur’s motivation to start the venture. These two constructs emerge from Bygrave (1989) and Shepherd et al. (2015) as antecedents of the process of establishing the new venture. The constructs of background and motivation will be explored in the following two subsections.
2.3.2 Knowledge and education as part of the entrepreneur’s background

Entrepreneurial human capital is commonly measured using variables such as education, knowledge, and experience. Marvel and Lumpkin (2007) argue that education and experience lead to general human capital, whereas problem-solving capabilities, knowledge about markets, and technology lead to specific human capital. The opportunities that are identified are contingent on the type of entrepreneur’s knowledge, which also influences the trajectory of the venture; in particular, the way that it is developed and grown. Knowledge of industry dynamics, specifically markets, customers, and channels to serve customers, is a critical determinant of venture creation (Shane, 2000a). Dimensions like education and business experience, both of which result in either tacit or explicit knowledge, form an individual’s human capital. Lautenschläger and Haase (2011) explored whether education was a factor influencing would be entrepreneurs and Zaleski (2011) discussed the impact of the prior business experience.

Tacit and explicit knowledge has been singled out by entrepreneurship research as a critical individual-level factor that influences entrepreneurial action. Knowledge is particularly vital in technical industries, where education is considered to be a necessary prerequisite to become successful in the entrepreneurial endeavour. Knowledge provides a platform for considering entrepreneurial opportunities (Shane, 2000a). Venkataraman (1997) argues that entrepreneurs will unlikely identify opportunities outside their areas of knowledge. A meta-analysis of research outputs covering some 80 articles in the field of entrepreneurship indicates that there is a positive relationship between the entrepreneur’s human capital and successful venture outcomes (Rosenbusch et al., 2011).

Research on human capital has suggested formal education as a measure of prior knowledge. This does not necessarily imply that formal education is a determinant of venture creation as the research in this area is inconclusive, with some research (e.g., Bates, 1990) indicating a positive relationship between formal education and venture creation, and other research (i.e., Storey, 1994) indicating no relationship. Furthermore, research has not found any relationship between general formal or general practical business experience and opportunity exploitation, but there appears to be a relationship between specific formal business education and opportunity exploitation.

Okhomina (2010) investigated whether education was a determinant of success. He argued that education was an enabler of individual capabilities such as creativity, innovation, and
overall competence in augmenting resources, which are all competencies needed to achieve positive outcomes in an entrepreneurial setting (Ronstadt, 1985). From US Census data, Okhomina (2010) studied the effects of education and concluded that education was positively related to self-employment. Higher education levels were associated with both an entrepreneur’s ability to provide valuable products and increasing managerial skills. This finding confirmed Edelman, Manolova, and Brush’s (2008) study that found a positive relationship between planning abilities with the chances of launching a new venture.

Lewis (2010) also researched business education and concluded that not only did the absence of education decrease the propensity of starting a new business, but those entrepreneurs with limited education would experience a higher chance of failure. Lewis (2010) found that entrepreneurs with limited formal education lacked the skills and knowledge to ensure the survival of their ventures. Opportunities for venture formation and survival were created through knowledge gained through education (Carlson, Acs, Audretsch, & Braunerhjelm, 2009). Gstraunthaler and Hendry (2011) argued that the capability of thinking and acting creatively emerge from education, and constituted what they called an entrepreneurial mindset, which was necessary for success.

A focused aspect of education was provided by Zahra, Newey, and Shaver (2011) who studied entrepreneurial centres across many countries and concluded that business schools and incubators focused on inculcating valuable entrepreneurial knowledge. Earlier, Rondstadt (1985) argued that it was impossible to conclude that educated entrepreneurs would be better entrepreneurs because of their education. He stated the evidence for whether education was an enabler of entrepreneurship is mixed and that the debate was far from settled, although one would expect that educated entrepreneurs would know how to make better decisions on when, how, and where to start new ventures.

2.3.3 Experience as part of the entrepreneur’s background
Low and MacMillan (1988) argue that individuals with previous business experience had a chance to learn from mistakes, hence increasing the chances of future success by avoiding the making of the same mistakes again. New ventures launch by entrepreneurs with previous experience were more likely to be hard to copy or build a barrier to entry. According to Zaleski (2011), entrepreneurs with no prior business experience were less likely to be aware of the need to find ways, such as patents, copyright, or other legal barriers, to be unique or pre-empt further imitation or competition.
Learnings from prior business experience are what allowed the entrepreneurs to address difficult situations, whether during venture launch or routinely in the long term (Kumar, 2007). The more industry-specific the knowledge, the more that it mattered (Zaleski, 2011). Furthermore, when the experience related to previous entrepreneurial experience, entrepreneurs were more successful the next time (Ekanem & Wyer, 2007). This finding is supported by Sarasvathy (2001b) when she refers to expert entrepreneurs; prior entrepreneurial experience positively affects the fate of the future business endeavours.

Specific knowledge and previous start-up experience play a vital role in venture formation, specifically in opportunity identification and exploitation (Ucbasaran, Westhead, & Wright, 2008, 2009). For example, prior experience in a specific industry increases entrepreneurial awareness of opportunities and provides a platform for specific skill building (Dimov, 2010). This claim contradicts previous research that found prior industry knowledge does not affect venture formation (Samuelsson & Davidsson, 2009). These authors argue that previous research has not made a distinction between innovative and imitative ventures, which most of the research on the influence of human capital refers to imitative ventures, and the relationship between prior knowledge and new venture formation may exist for some ventures and not others. This conclusion is supported by Cliff, Jennings, and Greenwood (2006), who explored the levels of industry experience in 60 start-ups and found out that an entrepreneur’s industry experience gained in large corporations led to the creation of imitative ventures, whereas the same type of experience gained in smaller firms led to innovative ventures.

In addition to formal business experience being a positive determinant of venture creation, formal business experience appears to be positively correlated with measures of venture performance outcomes (Parker, 2006; Baum, Locke, & Smith, 2001). The entrepreneur’s human capital in the form of specific knowledge has a positive, strong link with the ability to exploit an opportunity and with objective measures of venture performance outcomes. A well-performing business can and does attract external funding, and this relates to the individual’s entrepreneurial human capital (Gimmon & Levy, 2010). Human capital strongly relates to the level of competitiveness pursued by the entrepreneur. Shrader and Siegel (2007) found that entrepreneurs with specific industry knowledge tended to adopt aggressive strategies in the pursuit of venture growth. A finding that relates explicitly to the context of this study is research by Haber and Reichel (2007), who explored specific
entrepreneurial and business experience in 305 tourism entrepreneurs. Practical managerial experience had a strong relationship to venture performance outcomes, whereas formal education had no relationship at all. Haber and Reichel (2007) warn that those findings should be interpreted in the context of an industry that attracts life-style entrepreneurs, who are focused on survival rather than high-performance outcomes.

2.3.4 Passion as part of the entrepreneur’s background

Research on entrepreneurs’ background has extended to examine two emotive areas, namely emotions and passion. Barron’s (2008) model for the role of the entrepreneur’s emotions has been particularly significant. Barron (2008) argued that affect influenced memories and associations act as heuristic cues that shape the way an individual perceives, judges, and makes decisions. Barron’s (2008) theoretical model has significant implications for entrepreneurial action, given that entrepreneurial processes involve the relationship between the individual and the environment. Although Inamori (1995) believed passion is a vital part of becoming a successful entrepreneur, the entrepreneurial literature contains few references listing passion as a characteristic or trait of successful entrepreneurs.

Baum (1995) suggested an entrepreneurial performance outcomes model related to venture growth based on research from an extensive literature review. Baum (1995) interviewed 31 entrepreneurs, 86% of those interviewed in the study identified “passion for work” as an essential variable to their success. Baum included a passion for work in the performance outcomes model as an antecedent or requirement for entering into a business endeavour. Following Baum (1995), Baum et al. (2001) included passion as an entrepreneurial trait in a survey of entrepreneurs to test a hypothesis that the passion for work is positively associated with venture growth. Their research led to an integrated entrepreneurship performance outcomes model that offers a guiding framework for those who fund and manage ventures.

Cardon, Wincent, Singh, and Drnovsek (2009) developed the construct of entrepreneurial passion as an entrepreneur’s emotional driving force that encourages entrepreneurial activities. Passion was found to influence the entrepreneur’s vision, cognitions, behaviours, and endurance. Passion fuels entrepreneurial emotion and energy, both of which make entrepreneurial activity part of the entrepreneur’s identity (Cardon et al., 2009). This is in line with other research (Cardon, 2008; Chen, Yao, & Kotha, 2009; Fineman, 2005) that the sense of engagement with the venture activities is the result of the emotional dimension called passion.
2.3.5 Other aspects of entrepreneur’s background

As the literature has consistently mentioned over the years, entrepreneurs represent a heterogeneous cohort of, *inter alia*, their aspirations, abilities, and beliefs. These differences appear to explain why some individuals choose an entrepreneurial career and some do not. Some of the differences, which are part of the entrepreneur’s background, are related to cultural and national heritage. This is an aspect that has not frequently been explored by the literature. Holt (1997), Walsh and Anderson (1995), and Stewart, Carland, Carland, Watson, and Sweo (2003) studied how the individual differences in cultural and national background affect decision-making logic. Their research has shown that cultural differences, such as values and beliefs, power structures, reliance on family support, and propensity to risk, do affect the way that entrepreneurs start new ventures.

Another area that has seldom been researched is the differences between male and female entrepreneurs. Langowitz and Minniti (2007) and Powell and Greenhaus (2010) explored the differences in cognition and perception, as well as the variables that moderate the relationship between family demands and work demands, to explain whether gender gap explains the differences in starting a new venture. Individual differences in women were found about female identity and the factors that hinder progress as an entrepreneur. Some differences also arose when looking at their goals, whether satisfaction or security, as well as whether the industry was regarded as traditional or non-traditional for women.

2.3.6 Closing comments on background

In summary, there is a considerable amount of research on the construct of entrepreneur’s background and subsequent venture formation. In particular, most of the research has focused on individual differences in cognition, behaviour, and ability. Research outcomes are contradictory and significantly context-dependent. Overall, entrepreneurs are heterogeneous as individuals, the nature of their life experiences is varied, and these differences have an impact on the decision to start a new venture. However, the evidence is not conclusive, and questions on that relationship remain. Some researchers (e.g., McGrath & MacMillan, 2000) point out that specific aspects of the entrepreneur’s background, such as educational and previous experiences, have a role to play in the outcomes from entrepreneurial activity. On the other hand, a body of research within the field of psychology has been built around the notion of the entrepreneur’s background, but it has not provided conclusive evidence on whether there is a difference when compared to non-entrepreneurs.
Arguably, the entrepreneur’s background does not involve one particular dimension, such as work experience or formal education (Hisrich & Peters, 1995), but a range of life experiences that contribute to the entrepreneur’s human capital.

Research argues that entrepreneurs seem to recognise opportunities in areas or fields closely related to their knowledge and expertise (Grégoire, Barr, & Shepherd, 2010; Grégoire & Shepherd, 2012). However, there are examples in which entrepreneurs pursue opportunities without an apparent relationship with their knowledge. Entrepreneurial action does not seem to be a response to objective external stimuli, but a reaction from the entrepreneur’s interpretation of these stimuli (Wood & McKinley, 2010) due to factors such as motivation and emotion (Goss, 2007; Hjorth, 2007). The literature has not yet considered the range of entrepreneurial determinants affecting entrepreneurial decisions, hence limited explanation exists why some entrepreneurs choose to exploit opportunities found in proximity to their background and some do not.

2.4 Motivation

This section turns to the second antecedent to decision-making logic that will be studied in this research. Figure 2.4 shows where this section is in context of the overall framework.

![Figure 2.4. Focus of Section 2.4](image-url)
In an entrepreneurial setting, motivation has been studied from the perspective of the psychology and sociology fields and refers to the level of intensity that an entrepreneur puts into a task as well as the direction and persistence of entrepreneurial action. Latham and Pinder (2005) argue that motivation is a mediator that affects intensity (how much effort an individual puts in), persistence (the length of time in which the individual focuses on the task at hand without giving up), and direction (the goals being pursued). Motivation is a construct that has been studied within the sociology, psychology, and organisational behaviour fields, starting in 1934 with the Hawthorne studies, which explored the effects of working conditions during the industrial revolution (Locke & Latham, 2004). From the Hawthorne studies onward, several theories and approaches have been developed by the likes of Vroom, who examined work motivation (Locke & Latham, 2004), Maslow’s hierarchy of needs, Herzberg’s two-factor theory, and Deci and Ryan’s (2010) self-determination theory. Overall, motivation comprises a series of processes that result in an individual’s duration, choice, and effort toward achieving an objective. Motivation propels action, fuels the individual’s abilities, and affects the ways and the magnitude that those abilities are applied (Robbins & Judge, 2011; Locke & Latham, 2004).

The majority of studies relating to motivation within entrepreneurship have been quantitative studies based on the reasons and the manner in which motivation leads individuals to pursue new opportunities (Alvarez & Barney, 2010; McMullen & Shepherd, 2006). To understand why individuals start an entrepreneurial career, it is useful to look at the two significant categories of entrepreneurship, namely venture entrepreneurship and innovation entrepreneurship. The former refers to the creation of a venture such as a new business for self-employment whereas the latter focuses on identifying something new and different, whether a new product or an alternative way to improve existing businesses (Lepoutre, Justo, Terjesen, & Bosma, 2013; Neupert & Baughn, 2013; van Rensburg, 2013; Tang & Koveos, 2004). The literature suggests that entrepreneurs who desire independence and freedom to be creative or use their skills are motivated to be involved in venture entrepreneurship, whereas entrepreneurs who seek financial rewards gravitate toward innovation entrepreneurship.

In venture entrepreneurship, the rewards of entrepreneurial action are fundamentally intrinsic, internal satisfaction generally rating higher than financial rewards, while in innovation entrepreneurship the rewards are extrinsic (Åstebro & Chen, 2014; Berglann,
Moen, Røed, & Skogstrøm, 2011; Lofstrom, Bates, & Parker, 2014; Nunes & Balsa, 2013; Quatraro & Vivarelli, 2013; Simoes, Moreira, & Crespo, 2013; Vivarelli, 2013). Also, the financial rewards from entrepreneurship are associated with a proactive or reactive attitude (Daly, 2009; Van Der Zwan, Verheul, Thurik, & Grilo, 2013). Proactive entrepreneurs reflect “drive theory,” which refers to the existence of external stimuli that pulls an individual to respond by reducing the tension created (Festinger, 1957; Murray, 1938). In contrast, reactive entrepreneurs, who have lower mean and median income levels, are forced entrepreneurs who embark upon entrepreneurial action as a result of, for example, unemployment or change in individual predicaments (Berglann et al., 2011). These individuals decide to become entrepreneurs because of circumstance-specific motivation (Shane, Locke, & Collins, 2003), whether the circumstance is either intrinsic or extrinsic.

Motivational behaviour is underpinned by a desire to survive, endure, and prosper (Carsrud & Brännback, 2011). If we accept these theories, then it would be essential to understanding how entrepreneurial action, specifically venture formation, relates to the entrepreneur’s motivation to pursue an entrepreneurial career. Carsrud and Brännback (2011) argue that traditional research on motivation has looked at addressing three questions: What stimulates an individual? What makes an individual make a particular choice? What determines an individual’s reaction to a stimulus? Furthermore, Shane et al. (2003) argue that four critical elements of entrepreneurship are the person entering into the entrepreneurial process, the decisions that the individual makes, the individual’s motivations, and his or her knowledge. Those four elements determine entrepreneurial activity, and this suggests that the entrepreneurial process is influenced by the individual’s characteristics and the individual’s decision-making logic (Shane et al., 2003). From this standpoint emerges one of the research questions, which aims at addressing Shane et al.’s (2003) four elements in the context of an entrepreneur who is forming a new venture:

Q2a: How does the entrepreneur’s motivation relate to the decision-making logic that is adopted?

Over the years, researchers have often viewed motivation differently, which led to the absence of a solid foundation for theory building (Stone, 2012). The phenomenon is characterised as comprising internal and external factors (Locke & Latham, 2004). These internal and external factors represent the magnitude and exertion behind the driving force that triggers and sustains the necessary behaviour to achieve a predetermined outcome (Hancock, 2004). Kanji, Kristensen, and Dahlgaard (1995) and Buhler (2007) refer to
motivation as a drive, direction, and persistence, all of which play an essential role in shaping an outcome.

When looking at the motivation phenomenon within the context of entrepreneurship, its theory has not reached maturity. Researchers call for more focus on researching entrepreneurial motivation and suggest that this aspect of the entrepreneur’s endeavours must be embraced as part of the entrepreneurial process research agenda (Shane et al., 2003). Hechavarria, Renko, and Matthews (2012) point out that the development of entrepreneurial action theory is underpinned by the assumption that actions are the results of cognition and motivation, and this places motivation centre stage when looking at how and why entrepreneurs act. Carsrud and Brännback (2011) argue that the body of research has looked at what motivating factors distinguish the individuals who want to become entrepreneurs, but didn’t, from those who did.

There are several accounts of motivation. One account is task motivation, derived from an entrepreneur’s search for position and power (Stewart & Roth, 2007). At the other end of the spectrum is achievement motivation, based on an entrepreneur’s need to accomplish a certain level of achievement. The third account of motivation is goal motivation, which refers to mental representations of a vision of the future (Carsrud & Brännback, 2011). Carsrud and Brännback (2011) argue that most individuals who become entrepreneurs do so as a result of achievement motivation. Other accounts of motivation are those of intrinsic and extrinsic motivation (Benabou & Tirole, 2003; Carsrud & Brännback, 2011). The former refers to a focus on the innovative nature of the endeavour, and this is rooted in achievement motivation (Carsrud, Brännback, Elfving, & Brandt, 2009; Vansteenkiste & Deci, 2003). The latter refers to motivation driven by tangible, external rewards from the entrepreneurial activity. However, both motivations are not mutually exclusive and can exist simultaneously (Elfving, 2008). These motivators were consistent across entrepreneurs studied in Hong Kong, Russia, Thailand, and the United States (Foley & O’Connor, 2013; Holland & Garrett, 2015; Keat & Ahmad, 2012; Moy, Luk, Sheehan, & Sammapan, 2001; Simola, 2011; Zhuplev & Shtykhno, 2009). The following sections expand on how each of the main theories of motivation has been studied in the context of entrepreneurship.

2.4.1 Self-Efficacy theory
Self-efficacy theory goes back to the frameworks and literature developed by Bandura (1977), who defined motivation as a self-belief in one’s strength and inner drive to achieve
through cognitive abilities. Recent researchers widened the definition to cover an individual’s ability that influences performance outcomes in a wide range of settings and circumstances (Chen, Gully, & Eden, 2001). In an entrepreneurship context, Markman, Baron, and Balkin (2005) studied the differences between non-entrepreneurs and entrepreneurs and assessed variables such as perseverance, regretful thinking, and self-efficacy. They defined self-efficacy as the self-belief in executing tasks. They found that strong self-efficacy to achieve as an entrepreneur can potentially lead the entrepreneur to regret their decisions.

Other researchers, like Brice and Spencer (2007), defined self-efficacy in an entrepreneurship context as the extent to which the entrepreneur believes in his or her capabilities of successfully starting a new business. Building on Bandura’s (1977) model of self-efficacy, Brice and Spencer (2007) argued that individuals with moderate and high entrepreneurial ambitions will score their aptitude of entrepreneurial competencies highly. Brice and Spencer (2007) defined the construct of entrepreneurial self-efficacy and entrepreneurial ambitions around four dimensions previously identified by Chandler and Jansen (1992), namely organizational skills, opportunity, expertise, and political competence. More recently, Urban (2010) also followed Bandura (1977) and argued that self-efficacy is about the ability to structure an integrated series of actions towards a goal. Urban (2010) also argued that self-efficacy predict career choices and the specific behaviours conducive to entrepreneurship, like perseverance in the face of adversity. This was confirmed by other researchers like Wang, Prieto, & Hinrichs (2010), who found that self-efficacy is positively related to self-employment.

2.4.2 Goal-Setting theory

Latham and Locke (1979) were the first researchers to suggest the importance of goal setting by a framework that linked incentives, in the form of goal achievement and motivation. Goal setting is regarded as one of the most dominant theories of work motivation because it is based on human needs, values, traits, and perceptions of self-efficacy (Barbača & Zekan, 2011). Timmons (1978) also supported the notion of goal setting as a motivation theory, but argued that goal setting in an entrepreneurship context is only useful when obstacles are anticipated, progress is checked regularly against milestones, and contingency plans for unforeseen circumstances are considered. Furthermore, Timmons (1978) suggested specific actions for entrepreneurs to leverage goal setting while avoiding its pitfalls. Actions leading
to flexible planning, risk analysis, and mitigation, realism in planning, seeking help if needed, and anticipating obstacles can address the unintended consequences of the goal-setting approach to motivation.

Baum and Locke (2004) argued that self-efficacy related to how challenging the goals the entrepreneurs set are. Entrepreneurs with low self-efficacy, or a low level of resources, tend to set low goals and vice versa. Baum and Locke hypothesised that three variables, namely the entrepreneurs’ skills to gain new resources, the goals for a new venture, and the growth targets, are positively related to the outcomes of a new venture. Baum and Locke (2004) conducted a six-year longitudinal study of over 200 entrepreneurs to reveal a direct link among goals, self-efficacy, growth, and new resource skills. Subsequently, De Clercq, Menzies, Diochon, and Gasse (2009) argued that there is a relationship between the level of work intensity and goal commitment among inexperienced entrepreneurs. Baum and Locke (2004) and De Clercq et al. (2009), discovered a positive relationship between self-efficacy and goal commitment. Entrepreneurs with high self-efficacy set goals they believe to be achievable, and then commit to working hard to achieve their goals. These findings align with a prior study by Wiklund, Davidsson, and Delmar (2003), who found that financial success has been exaggerated in the literature. These authors found that the well-being of employees was the most salient goal. In contrast, Hessels, Van Gelderen, and Thurik (2008) found evidence that entrepreneurs whose most important goal is wealth creation also create more jobs and have high aspirations for internationalisation.

2.4.3 Attribution theory

Attribution theory refers to the notion that people have an inborn need to understand the reason why events happen in the way that they do, and understanding such reasons determine the way that individuals respond (Martinko, Harvey, & Dasborough, 2011; Rogoff, Myung-Soo, & Dong-Churl, 2004). Early researchers in this area defined attribution as the tendency for individuals to interpret actions as being rooted in either the external environment or internally to individuals, without the ability to distinguish unintentional and intentional behaviour (Oghojafor, Olayemi, Oluwatula, & Okonji, 2012). Attribution theory is about the ability to explain one’s own actions and the actions of others based on controllable or uncontrollable luck, task, effort, difficulty, and ability, all of which could be external or internal, and unstable or stable (Oghojafor et al., 2012; Eberly, Holley, Johnson, & Mitchell,
Attribution is about the beliefs about the source of successes and failures (Martinko et al., 2011; McElroy & Shrader, 1986).

Internal attributions usually apply to the various individual characteristics commonly associated with entrepreneurs, such as self-efficacy, locus of control, and need for achievement. On the other hand, external attribution refers to assigning causality for events to the external environment (Oghojafor et al., 2012; Eberly et al., 2011). The relevance of this theory for entrepreneurship is that it can be applied to distinguish low-achieving entrepreneurs versus high achieving ones. The latter welcome challenges because of self-efficacy; the former do not have the confidence in themselves to succeed (Oghojafor et al., 2012). Furthermore, attribution theory has been empirically linked to self-efficacy (Krueger & Brazeal, 1994), and this leads to useful insights for entrepreneurship theory. After conducting empirical studies, Rogoff et al. (2004) suggest that entrepreneurs are biased when identifying the internal and external factors influencing the outcomes of their ventures. The findings can be applied when studying the entrepreneur’s perception of the enabling (or otherwise) factors to the success of his or her venture (Rogoff et al., 2004). Attributions influence an entrepreneur’s cognitions, behaviours, and motivation due to his or her belief that an event is externally or internally driven.

2.4.4 Expectancy theory

The expectancy theory of motivation was first developed by Vroom (1964) and furthered by Porter and Lawler (1968). Under this theory, individuals are motivated by the expectation of a specific outcome they expect to achieve as a result of their efforts. Vroom’s (1964) theory comprised four factors identified by Gatewood (1993): (1) effort-performance expectancy refers to an individual’s perception of the effort needed to accomplish a task; (2) performance-outcome expectancy refers to the belief that the task will result in the desired outcome; (3) valence refers to the perceived worth of the outcome; and (4) instrumentality refers to the perceived probability one outcome will lead to a subsequent outcome. These elements, when combined, work synergistically to shape a motivational drive that determines behaviour (Barbača & Zekan, 2011).

Following Gatewood’s (1993) four-factor framework, Edelman, Brush, Manolova, and Greene (2010) studied over 400 novice entrepreneurs to understand the process of new launching a new venture. Edelman et al. (2010) found that such entrepreneurs were motivated to achieve the first goal, which was launching a new venture, and this was the
foundation for the second goal, such as growth aspirations. The research studied the differences in motivation to start a business between black and white races. The study found that the motivation to start a business (first goal) was similar across races, but there were differences in the motivation for the second goal. Following Edelman et al.’s (2010) study, Renko, Kroeck, and Bullough (2012) empirically tested the hypothesis that entrepreneurial motivation was based on the expectancy theory. In particular, expectancy, valence, and instrumentality were related to intention, effort, and behaviours, all of which led to launching a new business. From this study, there was a range of types of valence aligned with a range of intent and behavioural outcomes. Also, the researchers found that instrumentality, expectancy, and valence were found in a novice entrepreneur's projected effort. Previously, Gatewood, Shaver, Powers, and Gartner (2002) found evidence that individuals are more likely to choose an entrepreneurial career when they believe that they can achieve the desired outcome.

2.4.5 Closing comments on motivation

The review of the literature on motivation reveals that (a) entrepreneurs are motivated by a range of factors, both intrinsic and extrinsic and both financial and nonfinancial, and (b) there is a wide range of standpoints to understand the critical elements of the entrepreneurial motivation phenomenon and significant disagreement on what it constitutes. The latter point is illustrated by Wiklund et al.’s (2003) extensive literature review on the topic of entrepreneurial motivation, which could explain only 25% of the variance of their framework. This implies that there may be many factors still missing from the entrepreneurial motivation construct – the construct has therefore not been fully operationalised.

Situational factors play an essential role in motivating people to start an entrepreneurial career. This refers to the push or pull effect. Some entrepreneurs are pushed into entrepreneurship from a need, such as unemployment, and others are pulled in by an opportunity they believe in. Pull motives include achieving fame or wealth, among others. In particular, autonomy is positive related to new start-up venture creation, specifically for developed countries (van Gelderen & Jansen, 2006). The need for employment may push individuals in developing countries to embark on an entrepreneurial career (Thurik, Carree, van Stel, & Audretsch, 2008). In summary, there are significant differences in the reasons for launching a new venture.
A focus of extant research has been on how uncertainty and ambiguity affect entrepreneurial decisions on exploiting entrepreneurial ideas (e.g., Baron, 2008; Mullins & Forlani, 2005). Although research on how the entrepreneur’s background and motivation affect performance outcomes is vast, limited research has been conducted on (1) how differences in motivation affect the choice of decision-making logic and (2) how differences in the start-up decision-making logic affect the resulting performance outcomes (Shepherd et al. 2015). The focus of this study is the relationship between the entrepreneur and the features of the adopted start-up decision-making logic, as well as the relationship between this logic and performance outcomes. This follows Shepherd et al. (2015), who argue that motivation has been found to influence the choice of venture creation logic and point out that future research contributions should focus on exploring the relationship between the two variables. Given that motivation acts as a catalyst for information bias (Ocasio, 1997), it would be relevant to explore how an entrepreneur’s motivation affects start-up decisions.

2.5 The Decision-making Logic to Start a New Venture

This section turns attention to the decision-making logic in an entrepreneurial setting, which is defined as how entrepreneurs perceive and use information relating to the creation of new ventures (Sarasvathy, 2001b). Figure 2.5 shows this section in the context of the overall framework.

Figure 2.5. Focus of Section 2.5
The literature on entrepreneurial decision-making logic has focused on three broad areas: (1) opportunity assessment decisions (e.g., Hayton & Cholakova, 2012; Welpe, Spörrle, Grichnik, Michl, & Audretsch, 2012; Westhead, Ucbasaran, & Wright, 2005; Lee & Venkataraman, 2006); (2) opportunity entry decisions (e.g., Fauchart & Gruber, 2011; Gohmann, 2012; Podoynitsyna, Van der Bij, & Song, 2012), and (3) opportunity exploitation decisions (e.g., Zubac, Hubbard, & Johnson, 2012; Koropp, Grichnik, & Kellermanns, 2013; Kistruck, Beamish, Qureshi, & Sutter, 2013). Overlaying these three broad areas, the literature has also examined the heuristics and biases that affect the decision-making process on the three previous areas (e.g., Shepherd, Haynie, & McMullen, 2012; Simon & Shrader, 2012; Fern, Cardinal, & O’Neill, 2012). The notion of “opportunity” is central to entrepreneurial decision-making logic and action, so examining how individuals conduct the process relating to assessment, entry, and exploitation is crucial to understanding entrepreneurship holistically (Shane, 2003; Shane & Venkataraman, 2000). Shane and Venkataraman (2000), following Kirzner (1973), argue that opportunities exist objectively in time and space regardless whether an observer exists or is aware of them. Companys and McMullen (2007) argue that opportunities are phenomena to engage in entrepreneurial action, which explains how entrepreneurs make decisions to achieve their purposes (Alvarez & Barney, 2007). In short, how opportunities are assessed and exploited is at the core of entrepreneurial decision-making logic.

Most research underscores how the personal characteristics of entrepreneurs make them more likely to be alert to specific opportunities; this includes characteristics such as prior knowledge and experience (Choi & Shepherd, 2004; Grégoire et al., 2011; McMullen & Shepherd, 2006) and their cognitive and personality traits (Zhao & Seibert, 2006). Also, research has examined how entrepreneurs connect their background, expertise, and knowledge with either an environmental change or just a desire to start a venture in an area in which they are familiar (Gaglio, 2004; Gaglio & Katz, 2001). This study focuses on how some of those determinants influence the process entrepreneurial decision-making logic. This research also explores whether and how entrepreneurial motivations affect decision-making logic on opportunities they eventually exploit, which is an area that has been largely ignored. This points to one of the research questions for this study:

**Q1: How do New Zealand entrepreneurs adopt a decision-making logic to start new tourism ventures?**
Alvarez and Barney (2007) argue that there are two broad theories of entrepreneurial decision-making logic: the discovery and the creation theories. The discovery and creation views attempt to explain how entrepreneurs go about assessing opportunities and exploiting them (Shane, 2003; Shane & Venkataraman, 2000). The literature has focused extensively on the similarities and differences between both theories, as well as the contexts and effectiveness of executing opportunities under each view (Gaglio & Katz, 2001; Shane, 2003; Venkataraman, 2003). The debates on opportunities and how entrepreneurs make decisions on them has not yet produced a complete framework (Alvarez & Barney, 2007). This thesis contributes to addressing this by approaching the notion of decision-making logic from the perspective of the individual entrepreneur, and by answering the question whether the decision-making logic relates to the entrepreneur’s motivation.

2.5.1 Overview of two decision-making logics

Over the years, entrepreneurship studies have focused on explaining how new firms emerge and grow (e.g., Davidsson, 2004). Initially, scholars focused on researching the systematic and methodological process of entrepreneurship, comprising a rational, planned task of search, recognition, and exploitation of opportunities (Shane, 2002). This model, which is accepted as the mainstream view of entrepreneurship, is underpinned by the philosophical principle of extrinsic finality: an opportunity exists out there, and the satisfaction of potential customer demand is the final purpose of entrepreneurial activity. It is a teleological model involving a rational decision-making logic.

Over the two past decades, scholars have developed an alternative model of entrepreneurial action, which considers entrepreneurship as a pragmatic activity (Rescher, 2000). This alternative model views entrepreneurial activity as a resource-based, loss-contained, partnership-seeking, and contingency-leveraging chain of events involving processes labelled in the literature as bricolage and effectuation (Baker & Nelson, 2005; Dew, Read, Sarasvathy, & Wiltbank, 2009; Sarasvathy, 2001a). This alternative model implies the purposeful development of opportunities rather than finding and exploiting existing opportunities. Both views of entrepreneurship assume that entrepreneurs make informed decisions. Uninformed decision making is a theoretically plausible event as well, especially in novice entrepreneurs as their decisions are hardly better than guesses (McKelvie, Gustafsson, & Haynie, 2008).
The distinction whether (1) opportunities emerge from environmental changes and are discovered by individuals, or (2) opportunities do not exist a priori and are created, carries implications for entrepreneurial action (Eckhardt & Shane, 2003; Shane, 2003; Alvarez & Barney, 2007, 2010). Although the notion of opportunities has been the subject of numerous studies (e.g., Alvarez & Barney, 2007; Eckhardt & Shane, 2003; Short, Ketchen, Shook, et al., 2010), it is unclear whether an extrinsic or intrinsic motivation relates to the way that entrepreneurs make decisions on such opportunities. Furthermore, the decision-making logic on opportunities that are discovered involves information search, analysis, and planning that are relatively well defined, whereas created opportunities are shaped by entrepreneurial action, where planning is difficult, and flexibility and creativity are more critical (Alvarez, Barney, & Anderson, 2013).

The two informed models seek to explain entrepreneurial action and stand in stark contrast with each other. They are consistent approaches to explain entrepreneurial decision-making logic, but each predicts that the entrepreneurial process to launch a new firm or launch new products or activities is different. Sarasvathy (2001b) labels the systematic, planned process as a causal model and describes it as the inverse of the pragmatist model of effectuation. The causal model, also known as the rational model, is underpinned by the notion that exogenous shifts in an industry or market regulations arise. These shifts lead to competitive imperfections that the entrepreneur identifies and exploits. Sine, Shane, and Di Gregorio (2003) point out that technological, regulatory, demographic, and consumer preference changes are events that can disrupt the competitive balance that exists in industry. The entrepreneur identifies the opportunity and exploits what Porter and McGahan (2000) call industry transformation, by creating and producing new products or activities resulting from an external impact on an industry. In contrast, the pragmatist model assumes that entrepreneurial action is not the result of exogenous and objective phenomena. According to the pragmatist model, the entrepreneur creates the opportunity as a result of endogenous inputs while searching for ways to deliver innovative products or activities (Baker & Nelson, 2005; Gartner, 1985; Sarasvathy, 2001b). The contrast between the two models is shown in Table 2.1, which summarises the dichotomous nature of the six dimensions that Sarasvathy (2001a) uses to outline the models.
Table 2.1: Outline of the Causal and Effectuation Models

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Causation model (theological)</th>
<th>Effectuation model (pragmatist)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting point</td>
<td>Ends are given</td>
<td>Means are given</td>
</tr>
<tr>
<td>Assumptions on future</td>
<td>Predictability means controllability</td>
<td>Controllability reduces need to predict</td>
</tr>
<tr>
<td>Predisposition towards risk</td>
<td>Expected return</td>
<td>Affordable loss</td>
</tr>
<tr>
<td>Appropriate for</td>
<td>Existing products and markets</td>
<td>New products and markets</td>
</tr>
<tr>
<td>Attitude toward outside firms</td>
<td>Competition</td>
<td>Cooperation</td>
</tr>
<tr>
<td>Type of model</td>
<td>Linear</td>
<td>Cyclical</td>
</tr>
</tbody>
</table>

Note: Adapted from Sarasvathy (2001a)

In addition to the causal and the pragmatist models, serendipitous recognition is another typology of entrepreneurial opportunities highlighted by research (Dew, 2009). Shane (2000a) studied entrepreneurs who attempted to commercialise new technologies, which were based on the unexpected arrival of information. He pointed out that such new information had not been searched for. Instead, the entrepreneurs recognised the value of the information received through unexpected means. The outcome of Shane’s study aligns with the concept of knowledge corridors presented by Venkataraman (1997). Experienced entrepreneurs capture a stock of knowledge, and the accumulation process occurs along a narrow path, hence the corridor metaphor. Experience and knowledge are used in recognising opportunities and, although there is no systematic opportunity search, serendipitous discovery combines elements of exploration and recognition (Dew, 2009). Serendipity implies that the opportunities were somewhere out there all along. Therefore, serendipity is not an additional view of entrepreneurial opportunity but a particular instance of the rational approach to firm emergence.

2.5.2 The rational, causal, or discovery theory

The rational, causal, or discovery model focuses on external drivers to create opportunities to deliver new products or activities. First, this implies that new products or activities are the result of and emerge from opportunities found in existing markets (Kirzner, 1973). The second implication is that entrepreneurs play an observing and somewhat passive role while the opportunities evolve from external impacts on a market. The opportunities are not created by entrepreneurs themselves, who only become active when they attempt to capture the opportunities by exploiting them (Shane, 2000a). A third implication is that opportunities exist objectively and independently, regardless of the entrepreneur’s ability to
identify them or even search for them. This implies that entrepreneurs become aware that opportunities exist after systematically scanning the environment. This third implication leads to the conclusion that, if opportunities exist objectively from market changes and such changes are observable, then many players could identify and exploit such opportunities. As Barney (1986) points out, if this were the case, it could be difficult to achieve a level of profits commensurate with the risk taken because demand could potentially be satisfied by many entrepreneurs who will share in the profits. This means that the rational theory assumes entrepreneurs have differing abilities to perceive and exploit opportunities (Kirzner, 1973; Shane, 2002).

Shane et al. (2003) and Kirzner (1973) summarise the essential characteristics that enable successful entrepreneurs to become aware that an opportunity exists to produce new products or activities. The characteristics highlighted by Shane et al. are life experience, societal status, the type of search process a person engages in, the entrepreneur’s absorptive capacity, intelligence, and cognitive attributes. Any of these attributes, either by itself or combined, might lead some people to identify opportunities resulting from an external change to a market. Kirzner’s concept of entrepreneurial alertness involves various components that have been identified by research. These components include, for example, the ability to understand and analyse cause-and-effect relationships, to perceive relationships among an array of data, to understand economic cycles, social processes, and physical processes, to apply critical enquiry, to challenge the status quo, and so on (Eckhardt & Shane, 2003). These traits may be a function of cognitive, creative, or imaginative abilities (Sarasvathy, Simon, & Lave, 1998). Murphy (1996) points out that, although the specific sources of the ability to see differences in the marketplace are wide ranging, for the causal model it is evident that people with entrepreneurial characteristics are predisposed to identify the existence of opportunities.

Not every individual can identify market opportunities. In turn, not every individual who can identify market opportunities has the ability to exploit them. Research shows that a range of factors leads to differences among individuals. Personality characteristics, risk profile (Caird, 1993), locus of control (Krueger & Brazeal, 1994), intuitiveness (Allison, Chell, & Hayes, 2000), self-efficacy (Markman, Balkin, & Baron, 2002), and cognitive characteristics (Busenitz & Barney, 1997) are all variables that determine an individual’s propensity to exploit an identified opportunity. Of relevance to this research study, a
person’s age and career experiences (Shane & Khurana, 2003) are factors also cited by the
literature, possibly because age, and career stage determine the opportunity cost of an
individual to exploit an opportunity.

As mentioned in the previous section, prior research studied the characteristics of an
entrepreneur that would make him or her alert to opportunities (Choi & Shepherd, 2004;
Grégoire et al., 2010; McMullen & Shepherd, 2006; Mitchell & Shepherd, 2010; Zhao &
Seibert, 2006), and how entrepreneurs apply previous expertise and knowledge as a
foundation to decide what to do (Gaglio, 2004; Gaglio & Katz, 2001; Grégoire et al., 2010).
The literature focuses on how entrepreneurs attempt to make a rational decision on what the
entrepreneur perceives the opportunity to be and the feasibility of the opportunity (Shepherd,
McMullen, & Jennings, 2007). The literature focuses on rational, causal tools such as
marketing planning (Danneels, 2002, 2007), resources integration (Bruneel, Yli-Renko, &
Clarysse, 2010; Chung, Singh, & Lee, 2000; Hitt, Ireland, & Lee, 2000), and business model
design (Andries & Debackere, 2007; Nicholls-Nixon, Cooper, & Woo, 2000). However, the
literature lacks a holistic overview that portrays the decision-making logic from an
entrepreneurial idea to venture growth and how the decisions made at one stage impact on
the next stage of venture creation.

In the rational model, entrepreneurs “use simplifying mental models to piece together
previously unconnected information that helps them to identify and invent new products or
services and to assemble the necessary resources to start and grow businesses” (Mitchell et
al., 2002, p. 97). In this case, decision-making logic involves mental association between
external stimuli and individual knowledge. This cognitive association leads to the
development of insights and, ultimately, courses of actions that concludes with a new
business idea. Baron (2004, 2006) argues that this cognitive process is one of recognising
patterns in and making connections among technology, demographics, markets, government
policies, and other factors. Smith and Di Gregorio (2002) and Grégoire et al. (2010) propose
that entrepreneurs make decisions on potential opportunities by matching new technologies
with potential demands. Grégoire and Shepherd (2012) advance this proposition further by
suggesting that the notions of beliefs and entrepreneurial intent influence an entrepreneur’s
decision to pursue an opportunity. Entrepreneurs with high entrepreneurial intent and beliefs
are more prone to decide on less obvious opportunities. The cognitive processes to align
and integrate seemingly unconnected information raises not only questions on “how” the
entrepreneurs conduct such process but also “why” they align and integrate specific information (Shane et al., 2003). Grégoire and Shepherd (2012) and Dencker and Gruber (2014) consider the role of the entrepreneur’s beliefs and prior experience in opportunity recognition and decision-making logic. Exploring the entrepreneur’s background and motivation, which are two areas investigated in this study, may provide further answers.

Evidence from empirical research is inconclusive about whether the ability to both identify and exploit opportunities is a distinguishing factor that leads to successful entrepreneurial action (Busenitz & Barney, 1997). As argued in the previous section, the evidence to suggest that cognitive differences may play an important role in differentiating entrepreneurs from non-entrepreneurs is inconclusive (e.g., Sánchez, Carballo, & Gutiérrez, 2011). Furthermore, it remains unclear whether cognitive differences result in, or evolve after, entrepreneurial activity. Research (e.g., Westhead et al., 2005) on the behaviour of novice and expert entrepreneurs appears to support the idea that entrepreneurial experience results in cognitive differences. The rational model revolves around the concept that cognitive ability underpins the entrepreneur’s decision-making logic leading up to the decision whether to exploit an opportunity.

Under the rational model, prediction and control refer to a context in which the entrepreneur is cognisant that there may be several possible outcomes, not all of which are known, and the probability of each outcome may or may not be calculated before a decision is reached (Alvarez, Agarwal, & Sorenson, 2005; Gifford, 2010). As the subjectively expected utility assumption would suggest, the rational model does not necessarily imply that decision-making logics follow determined procedures. Before making a decision, the entrepreneur assigns, whether intuitively or rationally, a success probability to the desirable outcome of an event that she or he freely chooses. Research (Gustafsson, 2009) shows, however, that in the process of making a decision, entrepreneurs may ignore complex rules or information and may introduce biases and cognitive shortcuts, all of which would potentially lead to suboptimal decisions.

Under the rational model, both perception and the approach to decision-making logic play a crucial role in entrepreneurial action. This means that entrepreneurs themselves are determinants of the decision-making logic outcome. The entrepreneur’s ability, background, and previous experience are most influential in the strategic choice. In an organisational setting, how strategic decisions are made is affected by the origin and background of
whoever identified them in the first place (Noorderhaven, 1995). March and Simon (1958) were the first to claim that specialisation affects the information people receive. An individual with a production-related background views the environment differently from an individual with a marketing background, because of different mental models and interpretative schemes, which are developed over time and are influenced by a person’s social, environmental, and educational history.

2.5.3 The pragmatist or creation theory

The pragmatist or creation model of entrepreneurship has been presented in the research literature as an alternative theory for explaining entrepreneurial actions (Baker & Nelson, 2005; Sarasvathy, 2001a). The first researchers to convincingly present the notion that the objective phenomena of the realist perspective are constructed through interpretations of the observer were Berger and Luckmann (1967). According to this theory, entrepreneurs do not attempt to meet an opportunity emerging from the market, but the opportunity is said to be created as a consequence of a new product or activity which entrepreneurs produce (Baker & Nelson, 2005; Sarasvathy, 2001a). This view assumes that entrepreneurial opportunities do not exist in markets unless the entrepreneur engages in a proactive, creative process of product or activity production. Fundamentally, the creation process is about decision-making logic under conditions of uncertainty (Knight, 1921) as opposed to risk. The creation process is evolutionary, that is, it is a process comprising small trial-and-error steps and depends on co-enactment with stakeholders. The outcomes of decisions under uncertainty are unknown. Hence the small trial-and-error steps are an avenue to assign probabilities to potential outcomes.

The literature points out that entrepreneurs deal with uncertainty through the processes of “muddling through” (Lindblom, 1959) and effectuation (Sarasvathy, 2001b, 2003). In muddling through, Lindblom (1959) argues that rational individuals use value judgements to evaluate decisions and select the most appropriate, suitable course of action. Decision makers select the best option from a series of possibilities gradually and through an iterative process. However, Lindblom (1959) points out that decision makers very seldom apply such a method, which resembles what decision-making logic under the rational view would prescribe. Therefore, actors muddle through decisions due to the cognitive limitations of decision makers. Effectuation is a more current view of this problem and focuses explicitly on decision-making logic in an entrepreneurial context (Sarasvathy, 2001b, 2003).
Effectuation and muddling through overlap in the sense that they are both incremental decision-making logic based on actions and goals that are not defined a priori. Actors identify the resources at hand and choose from a range of ends that are achievable with those means. Effectual decision-making logic does not require prediction or assessment of probabilities linked to particular goals because the process evolves in unanticipated and unpredictable ways due to the uncertain context. The actors adjust their decisions and actions as new information becomes available.

Like the rational model, the pragmatist model points out that entrepreneurs and non-entrepreneurs differ. While the rational model emphasises, inter alia, personality, and cognitive characteristics, under the pragmatist model differences in an individual’s immediate environment may determine whether such an individual would become an entrepreneur. For example, Sarasvathy’s (2001b) theory of effectuation (which responds to the pragmatist model) points out that contingencies are the source of entrepreneurial opportunities, and whom an individual knows may allow complementary skills or assets that create an opportunity. Whom an individual happens to know or where an individual happens to live might drive an individual to become an entrepreneur. Furthermore, luck can play a significant role in this model (Barney, 1986).

The literature on the pragmatist model suggests that the personality and cognitive traits that distinguish entrepreneurs and non-entrepreneurs become relevant only after the start of the creative process. Sarasvathy (2008) points out that the differences between those two groups may be the consequence of entrepreneurial experience; a person’s initial attempt to create new products or activities may reinforce certain personality traits and cognitive abilities such as overconfidence, locus of control, and self-assessed competence (Chandler & Hanks, 1994; Chandler & Jansen, 1992). In this perspective, cognitive differences are the result of, and not the cause of, entrepreneurial activity. Dew et al. (2009) argue that there are differences between expert and novice entrepreneurs. The logical framing of expert entrepreneurs is different from that of novice entrepreneurs. The experience in launching and managing a new firm changes the way the entrepreneur performs cognitive tasks, and the change is reflected in a different decision-making process – one that adopts effectual logic. Baron (2009), however, argues that the evidence for the amount of entrepreneurial experience to change cognitive processes should be accepted cautiously as other variables, such as age, education, and life history may come into play.
There is empirical evidence to suggest that experienced entrepreneurs tend to reject the systematic process of market data collecting and analysing to reach a decision, and instead favour simple cognitive tasks. Entrepreneurial cognition involves the use of experience-based techniques for decision making (Mitchell et al., 2007; Busenitz & Barney, 1997; Simon & Houghton, 2002). Researchers (Gaglio, 1997; Gustafsson, 2006; Mitchell et al., 2007) emphasise the entrepreneur’s use of heuristics, such as entrepreneurial alertness and entrepreneurial expertise. Sarasvathy’s (2001a) theory of effectuation is also based on the heuristics used by experienced entrepreneurs. Research on entrepreneurial cognition provides evidence to suggest that the entrepreneur’s decision-making logic reflects quite closely the naturalistic decision-making paradigm. Indeed, several studies (e.g., McCarthy, Schoorman, & Cooper, 1993) discovered that events that would apparently require a rational decision-making logic were addressed by entrepreneurs using different logic, including an escalation of commitment, overconfidence, heuristics, and bounded rationality. Although the typical decision-making logic process based on information gathering, analysis, and conclusion is a preferred approach for individuals in a range of business settings, Busenitz and Barney (1997) discovered that entrepreneurs think and behave differently from managers. Entrepreneurs are much more inclined to generalise, be overconfident, incorporate decision biases, be overoptimistic, and disregard additional information due to initial optimism.

The pragmatist model assumes that entrepreneurs usually make decisions under conditions of uncertainty, so traditional decision-making tools such as financial evaluation cannot be applied in such an uncertain environment. Read and Sarasvathy (2005) point out that prediction, forecasting, and calculated expected returns are meaningless in the typically uncertain setting that entrepreneurs operate. Instead, entrepreneurs pursue exciting opportunities, which are created by them, without applying more time and financial resources that they are prepared to lose. This notion of “affordable loss” is what entrepreneurs use to assess the potential adverse consequences resulting from engaging in a failed entrepreneurial action (Sarasvathy, 2008). The affordable loss concept replaces the traditional rational approach to prediction. It sets the maximum level of resources that entrepreneurs would be prepared to forgo if entrepreneurial action does not lead to a market opportunity with an expected positive outcome.
Alvarez and Barney (2007) point out that, in the creation view, there is no position on whether entrepreneurs are different from non-entrepreneurs, although they refer to the need for the entrepreneur to have or acquire “creation capabilities” (Alvarez et al., 2013; Alvarez & Barney, 2007). However, the literature has not explored or defined specifically what those capabilities entail. In contrast, the rational theory has focused, explored, and described entrepreneurship capabilities in detail. These are the capabilities first referred to by Kirzner (1992), such as alertness, risk-taking, and innovation. The literature argues that these capabilities lead to an increase in performance outcomes, at least during the opportunity identification process. Such capabilities are not relevant, or applicable, under the creation theory in which the construct of “capability” is rendered meaningless.

A specific instance of the creation theory is entrepreneurial bricolage (Baker and Nelson 2005; Senyard, Baker, Steffens, & Davidsson, 2014). The notion of bricolage was introduced by Lévi-Strauss (1966) to describe the behaviour of the “bricoleur” or handyman. In describing the behaviour of the bricoleur, Lévi-Strauss (1996) contrasts it to that of an engineer, who selects and gathers the tools for a particular job, whereas the bricoleur uses what is at hand. This notion is important from the perspective of describing entrepreneurial action under the creation theory because, just like the bricoleur, entrepreneurs use available means in novel ways (Fisher, 2012). In short, bricolage is “making do by applying combinations of resources at hand to new problems and opportunities” (Baker and Nelson, 2005, p. 333) and depicts how entrepreneurs can create something from nothing using resources at hand. Bricolage is emergent, not rational or causal, and does not follow a linear decision-making process as the discovery theory does. Entrepreneurs making decisions under a bricolage view may decide to use forgotten or discarded resources to create a product or service (Baker & Nelson, 2005; Senyard et al., 2014).

There are similarities and differences between bricolage and effectuation. On the one hand, both begin with resources at hand, and the entrepreneur seeks to start a venture from those resources. On the other hand, bricolage is about using resources in novel ways, whereas effectuation has a broader theoretical formulation about entrepreneurial action, in particular, experimenting as the business develops by input from stakeholders. In effectuation, the entrepreneur focuses on limiting losses, and never goes beyond what he or she is prepared to forego. Fundamentally, effectuation takes advantage of change and leverages
stakeholders who are willing to commit to the venture. Arguably, like bricolage, effectuation views stakeholders as resources who can be leveraged in novel ways.

2.5.4 Closing comments on decision-making logics

The causation and creation theories describe the two overall modes of decision-making logic for new venture formation. Causation focuses explicitly on frameworks, tools, and techniques of analysis and forecasting to explore and exploit opportunities in (generally) predictable markets where uncertainty is low. Causal logic starts with predetermined goals and looks for appropriate means to achieve such goals. The logic rests fundamentally on prediction. On the other hand, the creation logic calls for the use of pragmatic action to shape markets that do not exist, or where prediction is not possible. Creation starts with the means at hand and imagining possible goals. The logic rests fundamentally on market control.

Sarasvathy’s (2001b) theory of effectuation is the first attempt to develop an integrated model and set of principles based on the creation logic and on how entrepreneurs use information to create new markets. Effectuation starts from the basis that entrepreneurs may have different assumptions about the level of predictability of the future of a market, and this affects their decision-making logic (Sarasvathy, 2001b; Wiltbank, et al., 2006). Context is crucial because it affects the preferred and most effective approach to launching a new venture.

2.6 The Outcomes from the Decision to Start a New Venture

This last section of this literature review examines the outcomes from the decision-making logic that an entrepreneur adopts. Figure 2.6 shows the section in the context of the overall framework. A large body of research has reviewed the concept of decision-making logics and how they lead to entrepreneurial action and resultant firm performance outcomes (Lumpkin & Dess, 1996; Read et al., 2009; Wiklund & Shepherd, 2003). Overall, research has followed two paths: (1) assessment of the relationship between firm performance outcomes and entrepreneurial orientation (EO) and (2) assessment of the relationship between firm performance outcomes and effectuation. The latter path represents scholars’ attempts to find causality between the pragmatist or creation approach to performance outcomes, whereas the former is an attempt to link the rational or discovery model to firm performance outcomes.
The body of research that assesses EO and performance outcomes establishes a clear focus on the dimensions of control and prediction that guides the firm towards meeting an external opportunity. The pragmatist model and its relationship with firm performance outcomes have been studied primarily concerning the notion of effectuation. In practice, entrepreneurs frequently use several logics (Sarasvathy, 2001b, 2003). From the perspective of this study, the different decision-making logics raise the third research question:

Q3: How do performance outcomes relate to the decision-making logic that is adopted by the entrepreneur?

Empirical evidence regarding the effects of using these two approaches is still at an early stage (Berends, Jelinek, Reymen, & Stultiëns, 2014; Chandler, DeTienne, McKelvie, & Mumford, 2011; Perry et al., 2012), hence the motivation to address this research question. Also, this study does not preclude the existence of other types of logics or a combination of them.

### 2.6.1 Entrepreneurial orientation and firm performance outcomes

The studies that exclusively focus on causation as an entrepreneurial decision-making logic are limited. One of the more recent ones is by Kristinsson, Candi, and Sæmundsson (2016), who explored causation to study the relationship between team diversity and innovation as a factor determining performance outcomes. Brettel, Mauer, Engelen, and Küpper (2012) found that innovation outcomes improved when applying causal decision-making logic.
Delmar and Shane (2003) argued that writing a business plan helps entrepreneurs in the decision-making process and enhances the legitimacy of their ventures by showing (to potential investors) that the venture is viable. A business plan shows the entrepreneur’s commitment to the venture and allows careful thinking of the various aspects of the firm, such as resource requirements and competition (Delmar & Shane, 2003; Fisher, Kotha, & Lahiri, 2016; Castrogiovanni, 1996; Frese & Gielnik, 2014).

The vast majority of studies of small firm performance outcomes are based on entrepreneurship definitions that are founded on the concept of entrepreneurial orientation (EO). Literature that adopts the views embedded in the EO construct focuses on planning as a critical process to achieve performance outcomes. Planning processes, which require a high level of prediction, have been at the core of Porter’s (1980) ideas on the dynamics of firm performance outcomes, which is determined by the unique positioning of a new firm within a profitable industry. There is a debate in the literature around planning and venture performance outcomes (Chwolka & Raith, 2012; Gruber, 2007; Honig & Samuelsson, 2014). On the one hand, Mayer-Haug, Read, Brinckmann, Dew, and Grichnik (2013) conducted a meta-review of articles on the relationship between planning and performance outcomes and concluded that entrepreneurial planning skills are positively related to variables such as growth, scale, and sales. On the other hand, empirical evidence on the relationship between planning and venture performance outcomes has delivered inconclusive results, mainly because this relationship is contingent upon intrinsic and extrinsic factors (Brinckmann, Grichnik, & Kapsa, 2010).

The concept of entrepreneurial orientation has become the focus of attention in the entrepreneurship field, and a substantive volume of research has reviewed it. Covin, Green, and Slevin (2006) highlight that hundreds of studies have been conducted, increasing the relevance of EO and leading to a broad acceptance of the notion of EO. EO represents a vast array of policies, processes, and procedures that support entrepreneurial action based on the rational or causal model. Viewed from this standpoint, EO incorporates both the strategy-making and the entrepreneurship bodies of knowledge. Importantly, EO was initially conceptualised by Miller (1983) as involving opportunity-seeking behaviour, risk-taking, and innovation. Competitive aggressiveness and autonomy are two additional dimensions that were introduced by Lumpkin and Dess (1996). Combined, these five variables represent characteristics of entrepreneurial actions, which include engaging in the introduction of
innovative products or activities by venturing into the unknown, borrowing heavily, and attempting to act to pre-empt competition.

The definition of EO looks at entrepreneurial action from the viewpoint of the rational, predictive, and opportunistic model of entrepreneurship. Vij and Bedi (2012) argue that successful organisations practice EO, which has been identified as the most crucial factor determining business performance outcomes (Rauch, Wiklund, Lumpkin, & Frese, 2009; Saeed, Yousafzai, & Engelen, 2014). The literature describes EO as how an entrepreneur uses entrepreneurship to achieve entrepreneurial using goals systems, methods, and decision-making activities to launch new products in new markets (Lumpkin & Dess, 1996). Research has examined three models of EO: the construct model, the EO-strategy model, and the performance outcomes model (Vij & Bedi, 2012). Of relevance to this study is the performance outcomes model, which studies the relationship between EO and performance outcomes (Chow, 2006; Covin & Slevin, 1991; George, 2011; Hughes & Morgan, 2007; Rauch et al., 2009; Su et al., 2011; Wang, 2008).

The body of knowledge linking EO with performance outcomes is vast, but far from mature. It is difficult to synthesise results because research analysis has to simultaneously deal with various critical issues such as the definition of entrepreneurship, the significant number of variables that moderate the EO-performance outcomes relationship, and difficulties in pursuing areas for further research and building upon previous research (Davidsson & Wiklund, 2001). Research tools used by various studies have been applied in a consistent manner, including those used in qualitative reviews (Newbert, 2007), but results are sometimes challenged. For example, one of the contentious issues involves the notion that management theories are culturally bounded, or as Thomas and Mueller (2000) point out, the EO-performance outcomes relationship is moderated by cultural dimensions within the country in which the study takes place. The external validity of studies linking EO and performance outcomes may limit generalisability across country settings but help in understanding the extent to which entrepreneurship theory is relevant.

Ireland, Hitt, and Sirmon (2003) indicate that seeking out consistently new opportunities while forecasting demand and articulating a sustainable positioning strategy (Porter, 1985) leads to higher performance outcomes. Research (Lumpkin & Dess, 1996) on the EO-performance outcomes relationship discusses extensively the argument that firms adopt an EO orientation, including frequent innovation, risk taking, and an aggressive approach to
product-market strategies, as a precursor to strong performance outcomes. However, studies have found that the correlation between EO and performance outcomes varies significantly (Dimitratos, Lioukas, & Carter, 2004; Hult, Snow, & Kandemir, 2003; Wiklund & Shepherd, 2003) and in some cases (e.g., George, Wood, & Khan, 2001) there was no statistically significant relationship. The wide variation in the correlation coefficient underscores the fact that the influence of moderators in the relationship between the two variables may be significant.

Researchers’ conceptualisation of the EO construct also influences the results from studies on the EO-performance outcomes relationship. Knight (1997) argues that EO is a mono-dimensional construct. Although not specifically mentioned by Knight, his views reflect the findings of many scholars (e.g., Bhuian, Menguc, & Bell, 2005) who found moderate to strong inter-correlations among the EO dimensions previously mentioned. It would make sense to aggregate a multiple-dimensional construct into a single factor. In contrast, Covin et al. (2006) argue that each EO dimension represents a rather independent facet of EO. This implies that each dimension may show different correlation coefficients with firm performance outcomes. For example, Chow’s (2006) study of the EO-performance outcomes relationship in China found that the innovativeness, risk taking, and proactivity (which are all dimensions of the EO construct) had different correlation coefficients. Whether EO is conceptualised as mono-dimensional or multi-dimensional depends on the setting and the type of study.

The performance outcomes construct is also multi-dimensional, and it can be defined in many ways. Lumpkin and Dess (1996) point out that the relationship between the performance outcomes construct and EO may depend on the definition of performance outcomes. The literature covers and reports a vast array of indicators of performance outcomes, and some studies have reviewed various ways in which firm performance outcomes are assessed (e.g., Combs, Crook, & Shook, 2005). Classification of performance outcomes indicators abound. For example, Edvinsson (1997) argues that the two broad categories of performance outcomes indicators are financial and intellectual capital, with intellectual capital comprising some intangible performance outcomes measures incorporating structural, relational, and human resource indicators. Kaplan and Norton (2007) argue that the performance outcomes of a firm can be best measured by the concept of the balanced scorecard, which incorporates financial, marketing, operation, and human
resource measures. They criticise the emphasis that businesses give to financial measures, which Kaplan and Norton label as “measures of the past,” and single them out as deficient indicators of the health of an organisation. In an entrepreneurial context, measures such as the attainment of personal goals by the individual are cited as examples of nonfinancial performance outcomes indicators. However, as Sarasvathy, Dew, Read, and Wiltbank (2008) point out, the success of the entrepreneur and the success of the firm are not the same, so an entrepreneur’s performance outcomes (in the sense of achieving his or her goals) may not translate into good firm performance outcomes.

The evidence of what constitutes a representative and relevant measure of firm performance outcomes is mixed. Investors looking at an entrepreneurial venture usually measure its performance outcomes through indicators such as profitability, revenue, cost efficiency, and other financial ratios (Assaf, Josiassen, & Gillen, 2014; Kertu, Haldma, & Moeller, 2011). Non-financial measurements, such as the product life cycle, customer loyalty, customer satisfaction, brand equity, and market share are equally important (Lumpkin & Dess, 1996). Small and midsize companies rely more on general financial indicators such as cost efficiency (Kertu et al., 2011). From a meta-review of the concept of performance outcomes, Vij and Bedi (2012) concluded that the notion of performance outcomes is narrow, there is no general agreement on appropriate measures of performance outcomes, and this combination has created a high diversity in the EO-performance outcomes relationship (Hughes & Morgan, 2007; Lumpkin & Dess, 2001; Rauch et al., 2009; Su et al., 2011).

Based on their meta-analysis, Rauch et al. (2009) provided enough support to conclude that the primary function of an EO is to improve financial results rather than promote other organisational goals. Rauch et al. concluded that a positive relationship existed between EO and financial, nonfinancial, and archival data. The meta-analysis of 177 studies by Saeed et al. (2014) supported these findings. Saeed et al. concluded that EO is mostly associated with high performance outcomes.

Zahra and Garvis (2000) and Zahra and Covin (1995) point out the internal and external variables that moderate the EO-performance outcomes relationship. Meta-analyses performed by Rauch et al. (2009) and Saeed et al. (2014) to investigate possible moderators of the relationship between EO and performance outcomes found that there is an industry effect. Hoskisson, Covin, Volberda, and Johnson (2011) found that firms in dynamic industries where consumer preferences change quickly are more likely to profit from
entrepreneurship and that the relationship between EO and performance outcomes is high. Tan and Tan (2004) explored moderators such as the uncertainty of the environment, and Wiklund and Shepherd (2003) included internal moderators like intellectual capital. Overall, the literature supports the notion that many factors moderate the relationship between EO and performance outcomes, but the literature also highlights that there are insufficient studies to perform a meta-analytic review that may shed light on contingency relationships.

2.6.2 The pragmatist model and firm performance outcomes

In contrast to EO, which views performance outcomes as a result of planning and adaptation, a significant body of research has developed around assessing new venture performance outcomes within the tenets of the pragmatist model. Studies that adopt the pragmatist view approach the question of venture performance outcomes by looking at the extent of effectual thinking of the owners and partners in the creation process. Dew and Sarasvathy (2007) operationalised the concept of effectual thinking by defining six variables: (1) design view of the future, (2) means or existing resources, (3) high predisposition towards partnerships, (4) low predisposition towards risk, (5) high predisposition towards contingencies, and (6) high control of the future. Each of these variables represents an attitude towards decision-making logic that assumes a purposeful construction of opportunities.

The operationalisation of the effectuation construct is essential when reviewing the literature on the drivers of new firm performance outcomes. Before the emergence of the theory of effectuation, the majority of studies linking the pragmatist model to performance outcomes focused on finding the strength of the correlation between a subset of such variables and performance outcomes. Read et al.’s (2009) meta-study of research papers on effectuation and firm performance outcomes focused on studies conducted before Sarasvathy’s unified theory of effectuation (Sarasvathy, 2001a). Therefore, each paper assessed the relationship between a particular variable, which later was included by Sarasvathy in the effectuation construct, and performance outcomes. The meta-study found positive relationships between performance outcomes and means-orientation, partnerships, and leveraging contingencies, but no significant relationship was found between performance outcomes and affordable loss.

After Read et al.’s (2009) work, several studies have linked effectuation as an integrated decision-making logic to increased performance outcomes. The role of effectuation on venture performance outcomes was studied in a range of contexts, such as the mobile
communications industry in Sweden (Berglund, 2007), tourism firms in Norway (Alsos & Clausen, 2014), and online businesses in the UK (Daniel, Di Domenico, & Sharma, 2015). The number of studies that explored effectuation and firm performance outcomes has increased over the past few years (e.g., Appelhoff, Mauer, Collewaert, & Brettel, 2016; Dew, Read, Sarasvathy, & Wiltbank, 2015; Werhahn, Mauer, Flatten, & Brettel, 2015), but Perry et al. (2012) argued that findings need further empirical evidence.

Theoretically, a positive relationship should be expected between effectual thinking and performance outcomes. Effectual thinking represents the techniques used by experienced entrepreneurs to accelerate the process of arriving at a good enough solution when research costs are impractical or costly. The body of research in psychology confirms that individuals who have been engaged in years of purposeful and proactive practice within a specific area perform better within such areas than the individuals who have not (Ericsson, 1999; Ericsson & Charness, 1994; Ericsson & Lehmann, 1996). This suggests that entrepreneurs who have engaged in a series of new ventures perform better than novice entrepreneurs; it does not suggest that a decision based on heuristics outperforms a rationally-based, analytically-arrived-at decision. Sarasvathy (2004b) points out that the type of logic employed by entrepreneurs shifts from effectual to causal as the firm evolves. The change of logic may be caused by the influence of venture capitalists, lenders, and general funders, who apply a rational and causal logic through a business planning approach to goal setting and forecasting. Sarasvathy (2006, p. 6) highlights that:

> When a causal logic is used in building a firm, the level of performance the firm achieves is directly proportional to the predictability of the market for the firm’s products or activities. And when effectual logic is used in building a firm, the level of performance the firm achieves is directly proportional to the number and quality of its alliances.

Empirically, several studies found a positive relationship between effectuation and performance outcomes. For example, Wiltbank, Read, Dew, and Sarasvathy (2009) found that angel investors who focus on entrepreneurs who apply effectuation rather than causation experience fewer failures in their investment portfolios. Also, Brettel et al. (2012) and Sullivan Mort, Weerawardena, and Liesch (2012) found that effectuation is positively related to variables such as process output and efficiency, and to an overall increase in marketing effectiveness within “born global” ventures. Overall, the empirical evidence suggests that adopting an effectual approach is positively linked to performance outcomes in a range of contexts. In explaining the underlying reasons for this positive relationship, Harmeling
Read, Sarasvathy, Dew, Wiltbank, and Ohlsson (2011) argue that leveraging surprises allow entrepreneurs to adapt and react to external environmental forces faster or in a more agile manner than competitors. Previously, Nadkarni and Narayanan (2007) and Worren, Moore, and Cardona (2002) argued some firms do not adapt to unforeseen events because they remain rigidly within the boundaries of a business plan.

2.6.3 Success and failure

In a meta-review incorporating 194 studies published in the entrepreneurial literature over the past 30 years, Weinzimmer and Manmadhan (2009) studied the factors that determine venture success. The outcome of their study showed that the literature identified over 90 dimensions of success. An important point coming from the meta-study was the differences between the researcher’s definition of performance outcomes and the entrepreneur’s. This discrepancy adds a justification to both the need for researchers to document assumptions (Alvarez, 2005), and the notion that entrepreneurs are the ones who define success based on an EO (Runyan, Droge & Swinney, 2008).

Although there is no universal definition of new venture failure (Robinson, 2007; Ropega, 2011). Ropega (2011) argues that there are five types of failures: (1) failure caused by management errors during initial stages of venture formation, (2) reduced growth management due to over-optimism, (3) inability or refusal to respond to environmental change, (4) too ambitious growth without capacity, and (5) excessive withdrawals of funds by the entrepreneur for personal use. Other researchers contend that business closure is not necessarily a result of business failure. Robinson (2007) points out that female entrepreneurs are more likely to close their business for social or personal reasons, rather than for financial reasons. Another example of voluntary closure is location. Rural areas may not lead to high profitability. Hence the entrepreneur may decide to close voluntarily (Robinson, 2007).

Overall, there is a range of variables that affect the success or failure of an entrepreneurial venture, of which financial factors make up only one category. Ropega (2011) contends that, because of the variety of factors that may affect the performance outcomes of a firm, failure or success is not a sporadic occurrence, but the outcome of a process. If so, then the entrepreneur should be alert to signals of problems and react accordingly. Wiklund and Shepherd (2011) argue that more research on why a business fails is needed. It has been commonly assumed that EO is an advantage, but no study has looked at the causal
mechanisms between EO and performance outcomes, or indeed what aspects of EO may facilitate failure. Exploring the relationship between EO and failure is needed.

2.6.4 Some reflections on entrepreneurial performance outcomes

The various viewpoints in the literature assume, with various levels of evidence, that an efficient decision-making process improves the chances of achieving the desired outcome. Where there is risk or opportunity, it is often assumed that a positive outcome can be achieved by applying a set of decision-making principles to the question of what to do next. Those principles can respond to either deductive logic or heuristics. In the former, an optimal solution can be found within known boundaries or constraints, but an overall optimal solution may not be found due to bounded rationality. In the latter, suboptimal decisions are plausible because heuristics are prone to personal biases and faulty considerations, and luck can play a part in achieving the desired outcome. In both approaches, a good outcome is plausible as much as an adverse outcome due to incorrect assessments and partial information.

Firm performance outcome is an elusive construct. As mentioned earlier in this chapter, studies on firm performance outcomes have incorporated a range of measures in an attempt to measure outcomes from entrepreneurial processes; these outcomes include both financial and non-financial results. The challenge in measuring performance outcomes is that entrepreneurs and ventures are heterogeneous. As mentioned in section 2.4 Motivation, some entrepreneurs are motivated by financial goals while others by a range of nonfinancial goals. This implies that the way to assess success is particular to each individual and each venture. Some entrepreneurial ventures operate sustainably over many years while others failed rather young, even when the decision-making processes followed by the respective entrepreneurs were similar to each other. Contextual issues are also relevant and affect performance outcomes. Importantly, entrepreneurial action may have a different performance outcome when applied to an opportunity with high potential in contrast to an opportunity with low potential. The counter-argument is that an efficient decision-making process could determine the level of potential of an identified opportunity.

Beyond the nature and range of indicators used to measure performance outcomes, there is the risk of providing only a partial depiction of the performance outcomes from various decision-making approaches. Indeed, assessing performance outcomes is problematic even when looking at measures that research has found to have consistency and validity.
Examining both firm performance outcomes and entrepreneur performance outcomes, rather than firm performance outcomes alone, may lead to a better understanding of the overall outcomes of entrepreneurial processes. It may be argued that the entrepreneur’s level of satisfaction resulting from entrepreneurial action leads to better firm performance outcomes because satisfaction leads to working harder, more efficiently, or to investing more personal resources. Satisfaction resulting from decisions that the entrepreneur makes is an outcome that affects further expectations upon which the entrepreneur may take subsequent actions, resulting in better firm performance outcomes. Satisfaction with, and expectations of, firm performance outcomes may not objectively reflect firm performance outcomes, but they are both outcomes of entrepreneurial decision making.

Historical literature has emphasised three facets of job satisfaction: situation, disposition, and interaction. The literature refers to situation as the job characteristics approach, which is an influential theory in organisational behaviour (Behson, Eddy, & Lorenzet, 2000). Four dimensions, which were initially introduced by Hackman and Lawler (1971), are still consistently found in the literature: autonomy, task variety, task identity, and feedback. Several studies (e.g., Croson & Minniti, 2012; Hurst & Pugsley, 2010) have pointed out that non-financial motivators, like autonomy, explain entrepreneurial activity as a career choice, while also determining venture performance outcomes. Croson and Minniti (2012) define the notion of autonomy as freedom and independence. Van Gelderen and Jansen (2006) examined the various dimensions of autonomy as a motive for entrepreneurial action, including independence, endorsement, congruence, and decision control.

The literature argues that the entrepreneur’s individual characteristics, such as personality traits, which are stable over time, and their situations predispose the entrepreneur to respond to events in a particular manner (House, Shane, & Herold, 1996; Judge, Locke, Durham, & Kluger, 1998; Staw & Ross, 1985), which leads to varying levels of satisfaction. Situational and temporal stability of the entrepreneur’s disposition suggests that factors other than the venture and the entrepreneur’s specific activities influence satisfaction and, therefore, the entrepreneur’s perception of his/her performance outcomes. Disposition is a contributor to satisfaction even when specific job dimensions significantly and independently explain job satisfaction (Levin and Stokes, 1989). Also, according to Edwards, Caplan, and Van Harrison (1998), alignment between the entrepreneur’s personality and the environment in which the entrepreneur works explains most of the variance in job satisfaction. The literature
positions the personality-environment fit as an alternative to the dispositional and situational approaches to explain job satisfaction.

In aggregate, performance outcomes measurement should incorporate both financial and nonfinancial outcomes and point to various paths to measuring performance outcomes and the use of several constructs and perspectives, as discussed earlier in this chapter.

2.6.5 Closing comments on decision-making logics and performance outcomes

Although both the causal and the pragmatist decision-making logics were contrasted with each other and presented as two opposite sides, Perry et al. (2012) argues that they should not be seen as competing or alternative logics, or as Sarasvathy (2001a, p. 245) argues: “both decision-making logics are integral parts of human reasoning and can co-occur, overlapping and intertwining over different contexts of decisions and actions.” One logic should not be seen as better or as more efficient than other when launching new ventures (Sarasvathy, 2001a). Rather than thinking regarding whether one approach is superior to the other, the evidence points to the context where the logics are applied to determine which logic is more appropriate given certain circumstances. Both models should be seen as complementary. For example, when an entrepreneur launches a venture in a mature, stable environment when prediction is possible, then causation logic should be applied, and may undoubtedly lead to higher performance outcomes. Conversely, if the environment is unpredictable, the pragmatism approach is more appropriate, and at the early stages of venture formation, the pragmatist logic produces better outcomes than causation. Launching a new venture comprises a significant number of decisions, each of them with a different level of ambiguity, which is dealt with the causal logic when ambiguity and uncertainty is low, and with the pragmatist logic when ambiguity and uncertainty are high. In short, overall performance outcomes are dependent on an entrepreneur’s ability to apply each logic contingently.

2.7 Concluding Comments

This chapter has examined entrepreneurship as a process, incorporating (1) the entrepreneur, (2) the approaches to identifying, assessing, and exploiting of opportunities, and (3) the outcomes of each approach. This chapter has also developed a definition of both entrepreneurship and the entrepreneur for this thesis. The chapter explored systematically each of the components of the process diagram shown in Figure 2.7.
The entrepreneur was defined as the individual who actively pursues his or her intention of starting up a venture for either profits or other reasons, such as higher autonomy and experience utilisation (Cunningham & Lischeron, 1991; Liang & Dunn, 2011), while employing perseverance, dealing with risk, and applying creativity (Basargekar, 2007). Entrepreneurship was viewed as occurring at the juncture between an individual and the opportunities they pursue. Later, the chapter reviewed the extant literature on the entrepreneur’s background, motivation, entrepreneurial approach to starting a new venture, and the outcomes of entrepreneurial action, all of which underpin the research questions. Recent entrepreneurship theory has defined entrepreneurship as a process of venture formation (Reynolds, 2009; Spencer, Kirchhoff, & White, 2008) or the process of starting a business, as the Global Entrepreneurship Monitor (GEM) project defines it (Reynolds et al., 2005).

In summary, the literature highlights that individuals are heterogeneous in their beliefs and desires, and those differences help explain why some choose to become entrepreneurs and why others choose other types of employment. Some entrepreneurs are motivated to start their venture to gain independence, and some others for the perceived path to financial rewards. An overall finding from the literature is that entrepreneurs have varying degrees of knowledge and experience. Such differences influence how they make decisions on venture start-up matters (Shepherd et al., 2015). For example, decision speed depends on
previous start-up experience (Forbes, 2005), international experience influences internationalisation paths (Wright, Liu, Buck, & Filatotchev, 2008), and industry experience influences the ability to see market opportunities and builds entrepreneurial self-efficacy (Cassar & Friedman, 2009).

Of importance is how the individual deals with uncertainty (Knight, 1921) and risks (Douglas & Shepherd, 2000). Some individuals think about those issues regarding an affordable loss, and some others by financial projections and forecasts as a means of estimating the probabilities of loss (Dew et al., 2009). It is unclear, though, if the entrepreneur’s motivation and background influence whether risk and uncertainty are addressed through either affordable loss or prediction and forecasting. If we accept the proposition that beliefs and intent influence the choice of opportunities (Grégoire & Shepherd, 2012), then it would be reasonable to expect that motivation and background influence an entrepreneur’s way to launch a new venture (Birley & Westhead, 1994; Amit, MacCrimmon, Zietsma, Oesch, 2001). This study addresses this hypothesis.

Finally, although performance outcome is an elusive construct, research has established that there is a relationship between the performance outcomes and the notions of control (effectuation) and prediction (causality). However, many factors moderate this relationship. The literature in this area also points out that the level of performance outcomes of effectuation (when compared to the causal approach) varies depending on the stage of the business’ life cycle – the pragmatist approach outperforms the causal approach at the initial stages of venture formation. Although the definition of entrepreneurial success is often in monetary terms, an entrepreneurial endeavour can have success in other ways. Ultimately, the entrepreneur is the one that determines if the business is successful relative to the goals set for the business and herself or himself. A new venture is regarded successful if it both provides acceptable returns on investment and meets predefined goals and objectives, some of which may be personal objectives. A question that remains is whether such measures of success are related to the way that the entrepreneurs launch the venture – this question is addressed in this study.
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CHAPTER 3 - THE TOURISM CONTEXT

3.1 Introduction

Tourism research first developed by the mid-1960s and has since moved in various and exciting directions (Tribe & Airey, 2007). Initially, research on tourism was developed in the context of management practice, think tanks, and governments (Burkart & Medlik, 1975). The Council for National Academic Awards (1993) in the United Kingdom noted that studies sponsored by professional practice characterised preliminary research in the tourism field. By the late 1970s, however, there was an increasing number of disciplinary-based, peer-reviewed studies dominated by the economics of tourism, followed by anthropology, geography, and recreation in order of importance (Archer, 1977). More recently, research (Tribe & Airey, 2007) showed that 38% of the titles, keywords, and abstracts in the CABABS\(^1\) database referred to tourism economics. The contribution from other disciplines, including the field of entrepreneurship, has been much more fragmentary, a focus of study only during the last 20 years, and in a limited fashion. Tourism entrepreneurship emerged slowly to the present day with a more diverse body of literature and with an increasing number of studies (Carmichael & Morrison, 2011). However, Li (2008) found that still less than two per cent of peer-reviewed articles published in tourism-related journals involved entrepreneurship research during the period 1986 to 2006, an average of fewer than five per annum (Ateljevic & Li, 2009).

Tourism entrepreneurship is still seen as “terra incognita” (Page, Forer, & Lawton, 1999). The research agenda is partial and shows significant gaps. One such gap is that research has focused on the small tourism enterprise rather than on the entrepreneur (Dahles & Bras, 1999), despite research consistently emphasising a large number of owner-managers as well as small operators and employers who comprise much of the sector. Various scholars have called for research related to entrepreneurship in the tourism sector (Cheng, Li, Petrick, & O’Leary, 2011; Hjalager, 2010; Li, 2008) that goes beyond studies that confirm that the artisan type of entrepreneur, interested in the flexibility of operating an SME, is the type most commonly found in tourism firms (Ateljevic & Doorne, 2000). Overall, a significant limitation of entrepreneurship research in tourism is a somewhat exclusive focus on identifying types of entrepreneurs or small tourism business management (Morrison,

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\(^1\) The CAB International Abstract Database (CABABS) contains abstracts from around 400 publications in leisure, sport, tourism, and hospitality research from 1974 to the present.
Rimmington, & Williams, 1999). The understanding of the behaviours of tourism entrepreneurs is limited (Hall & Rusher, 2004; Page et al., 1999), despite the relevance of the sector to the economy of most countries. Scholars highlight the need to focus on the opportunities related to the demand for experience-based products (Alsos, Eide, & Madsen, 2014), followed by the exploitation of such opportunities through entrepreneurial action (Sarasvathy, 2008; Shane & Venkataraman, 2000).

A better understanding of tourism entrepreneurs is needed, particularly given the shift from traditional hospitality services to more experience-based products in tourism (Sundbo, Orfila-Sintes, & Sørensen, 2007). Experience-based tourism products include both adventure tourism and eco-tourism (the focus of this study), where entrepreneurial action is found (Alsos et al., 2014). Large firms have only slowly been able to respond to the increasing demand for unique tourism experiences. The sector is highly dependent on entrepreneurial action to meet market growth while supporting the transformation towards the adventure and eco-tourism products, which are experience-based. Entrepreneurship has been the focus of public policy for developing the industry through innovation and value creation (Jóhannesson & Huijbens, 2010). Since 2008, when the New Zealand National Party became the government, New Zealand has increased its efforts to develop tourism due to its economic development outcomes. However, New Zealand is not alone; many countries support tourism, and particularly new business start-ups within the sector (Solvoll et al., 2015).

3.2 Why Tourism as Context

Despite the existing research that explores the notion of entrepreneurship in the tourism sector, the relatively limited number of studies precludes building a synthesised body of knowledge for researchers, policy-makers, and practitioners (Solvoll et al., 2015). Selecting the New Zealand tourism sector as the context for this study contributes toward addressing that shortcoming. Notably, exploring the process and consequences of entrepreneurial decision making in this sector contributes toward expanding the limited range of topics covered by the existing literature. Existing studies of tourism entrepreneurship have addressed a narrow set of issues. The literature has limited itself to, for example, examining entrepreneurs as a type of tourist guide (Bryon, 2012), strategic entrepreneurship as related to changes in existing firms (Carlback, 2012), and the impact of tourism entrepreneurship on the local economy and cultural level (Jóhannesson, 2012; Viken & Aarsaether, 2013).
This narrow focus and the low number of studies result in limited integrated knowledge. To advance theorising on tourism entrepreneurship, more knowledge accumulation is needed (Solvoll et al., 2015), hence the reason for tourism as the context of this study.

This study follows Hjalager (2010), who distinguishes two strategies for development in tourism research. She points out that research can adopt either a convergent or divergent pathway when exploring tourism. In the divergent approach, tourism entrepreneurship is investigated partly or entirely with theories and measures developed explicitly for tourism because tourism is viewed as a phenomenon, not as a context. The convergent approach involves the use of theories, frameworks, and models from conventional research in another field and adopting them to tourism. The advantage of the convergent approach is that it provides theoretical comparability and knowledge advancement for tourism studies. This study adopts the convergent standpoint by which theory from mainstream entrepreneurship research is used, to building on entrepreneurship research while tourism’s role is examined in the context of entrepreneurship. Tourism provides contextual insights that are, in principle, not very different from other types of entrepreneurship. In the convergent approach, research builds on entrepreneurship literature but adapts it to the specific context of tourism. Research questions relate to fundamental aspects of the entrepreneurship phenomenon, and empirical work centres on entrepreneurship theory. The strength of the convergent approach is that it enriches entrepreneurship theory building with the nuances and particularities relevant to the context.

Solvoll et al. (2015) argue that, based on their meta-review of entrepreneurship tourism peer reviewed articles, the divergent approach is the dominant paradigm in entrepreneurship tourism research. Illustrations of tourism entrepreneurship research that adopted a convergent approach include: (1) Lerner and Haber (2001), who investigated the factors that influence performance outcomes in small tourism ventures; (2) Haber and Reichel (2007), who investigated the role of human capital in the performance outcomes of entrepreneurial tourism firms; (3) Hjalager (2010), who explored the role of innovation in entrepreneurial tourism firms; and (4) Morrison (2006), who examined family businesses in tourism. These studies have responded to calls that have been made for more context-sensitive analyses within entrepreneurship research to advance theory building (Welter, 2011; Zahra, 2007).

Tourism as the context allows for the emergence of specific characteristics that, through analysis, can advance entrepreneurship theorising, while increasing knowledge of the
phenomenon of tourism entrepreneurship. This research adopts a similar standpoint when choosing tourism as context. In particular, Solvoll et al. (2015) indicated that the literature provides ideas for areas for further research related to tourism entrepreneurship, in particular, and among others, (1) entrepreneurial opportunities within tourism, their origins, and their development; (2) entrepreneurial behaviours in the start-up of tourism ventures and their consequences; and (3) types of tourism entrepreneurs and implications for venture development. The research questions in this study respond to these suggested areas for further research.

3.3 The Tourism Entrepreneur

The limited research suggests that tourism entrepreneurs are different from those in other economic sectors (Shaw & Williams, 2004). Studies of small tourism firm entrepreneurs have identified a range of entrepreneurial cultures (Shaw, 2004), not all of which appear to embrace the traditional view of the entrepreneur as an innovator who seeks profitable opportunities (Schumpeter, 1934). Such varying cultures range from the profit-seeking founder-entrepreneurs, driven by business-oriented objectives, to so-called lifestyle owner-operators, who have little desire to develop their businesses but a keen interest in environmental issues (Shaw, 2004). The strong lifestyle aspirations of some tourism entrepreneurs, coupled with low barriers to entry into the industry in the form of both skill and capital requirements, are essential factors in launching a tourism enterprise. This provides further evidence, as various authors (e.g., Dewhurst & Horoin, 1998) have argued, that non-economic factors are significant and that there is an apparent rejection of a profit orientation by some entrepreneurs. It is unclear, though, if this apparent rejection of a profit orientation partially or fully explains the sector’s relatively low contribution to GDP relative to labour utilisation.

Even though the sector’s economic output per employee is below average, research (Ateljevic & Doorne, 2000) into adventure tourism enterprises in New Zealand points out that lifestyle-motivated entrepreneurs can nevertheless provide a significant contribution to the country’s innovation capabilities through the design and crafting of innovative products. Moreover, any attempt to explain entrepreneurial behaviour through eco-tourism and adventure tourism pioneers like A. J. Hackett’s bungee-jumping, Graham Sinclair’s The Helicopter Line, and Kelly Tarlton’s Underwater World purely by non-economic motives may not provide a complete picture, especially when the venture is seen over its entire life.
Life-style motivation *per se* may not be a cause for a firm’s under performance. Other variables, such as the entrepreneur’s demographic and psychographic variables, previous work experience, and previous attempts to launch a new venture as well as the relationship between the entrepreneur and the firm may offer more relevant explanations. A plausible proposition is that the entrepreneur has economic motives, but the entrepreneur’s approach to decision making fails to translate this into economic performance.

Later in the firm’s life cycle, as the entrepreneur’s experience grows, economic performance may also grow. Hackett created the world’s largest commercial bungee jumping operation with ventures in many countries; Sinclair’s The Helicopter Line grew through acquisitions to become an NZX50 enterprise within ten years, under the name Tourism Holdings Limited; and Tarlton’s venture drew multi-million dollar offers from overseas aquarium operators. The pathway of firm evolution illustrated by these examples suggests that at the point of firm formation and launch, lifestyle goals may be the primary focus of tourism entrepreneurs’ intent, but as entrepreneurial ventures evolve, other factors may come into play. Managerial skills improve over time, and such skills may lead to longer planning horizons and, perhaps, more economically-driven motives. Alternatively, as Duncan and Flamholtz (1982) put it, some ventures transition from family-style entrepreneurship to professionally managed organisations in which a different type of decision making takes hold. However, this does not appear to be common in most of New Zealand’s tourism firms, which largely remain family-owned and operated. This suggests that the application of static economic models of SMEs to tourism businesses is difficult. Also, the entrepreneur’s cognitive abilities and outlook in life evolve, thus providing a changing picture of entrepreneurs, even though such changes do not necessarily translate into higher firm economic performance. Research on owners of small firms growing within New Zealand tourism is still missing because a static perspective has generally been adopted (Shaw, 2004).

### 3.4 Family Businesses in Tourism

There is no single definition of family business that is commonly accepted, with the literature including some 34 different definitions (Sharma, Chrisman, & Chua, 2012. Although family businesses can be regarded as any firm owned and managed by a single family, this definition includes sole proprietor firms, as well as those owned by a couple, like the vast majority of hospitality businesses in New Zealand. However, the term “family business” is seldom used in tourism statistics. The literature on tourism family businesses has predominately focused
on three areas: (1) family business operations (e.g., McKercher & Robbins, 1998; Klenell, & Steen 1999), (2) family business and entrepreneurship (e.g., Getz & Carlsen, 2000; Getz & Nilsson, 2004), and (3) roles and responsibilities in family businesses (e.g., Gladstone & Morris, 2000; McGibbon, 2000).

Most of the literature on family business and entrepreneurship focus on organisational roles and responsibilities, decision-making processes, and succession planning and management. The founding member of the family is most likely to make all decisions informally, which leads to a somewhat casual manner of development of the business (Morrison, Rimmington & Williams, 1999). As new members of the family, usually children, enter the business, new dynamics evolve, either positively or negatively (Wasserman, 2013). The question remains whether those businesses are truly entrepreneurial. Given the low entry barriers, the tourism sector appeals to sole proprietors and families of which the minority are entrepreneurs, and the rest a combination of either retired or semi-retired “blue collar” individuals, with limited business skills, or former professional individuals, who are constrained by a lack of resources (Shaw & Williams, 1987).

In family businesses, the vision and values of the founding members are handed down across generations, who generally maintain the culture, identity, and the way the firm has operated in the past (Gagné, Sharma, & De Massis, 2014; Le Breton-Miller & Miller, 2006; Tàpies & Ward, 2008). Shared values pervade business practices, which keep a strong link across time (Zellweger, Nason, & Nordqvist, 2012). Because of the manner in which these firms keep ties with the past, family businesses are seen as conventional and conservative, and ultimately less innovative than non-family businesses (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). On the other hand, some family businesses display deeply embedded innovation behaviours and outcomes (Chrisman & Patel, 2012; Kotlar, Fang, De Massis & Frattini, 2014) and an entrenched entrepreneurial mind-set. De Massis, Di Minin, and Frattini (2015) and Patel and Chrisman (2014) found that family businesses are better at turning innovative ideas into innovative product and services. Family businesses can take advantage of exclusive access to past knowledge and human capabilities, which can be successfully leveraged for successful innovations (De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016).

Studies on tourism family businesses are very scarce. In one of the most recent studies, Hallak, Assaker, and O’Connor (2014) found that, unlike previous studies in other sectors,
tourism family businesses did not perform better than non-family businesses. Furthermore, there was no difference between family and non-family business in the tourism sector in typical entrepreneurship constructs, such as developing new products or market opportunities, building an innovative environment, and initiating investor relationships.

3.5 The Notion of Tourism

The notion of tourism is both sophisticated and inconsistent, and it lacks a distinctive disciplinary foundation due to its inter-field nature. Researchers acknowledge the absence of a theoretical framework for both researching and understanding tourism as a specific social, cultural, and economic phenomenon (Page & Ateljevic, 2009). Tourism has primarily been used as context across a range of different fields rather than as a focus to develop it as a field in itself. Digital technologies, foreign exchange liberalisation, service trade liberalisation, and macro-economic impacts are examples of factors that have been researched within the tourism context. The combination of these and other factors provide scholars with an opportunity to study tourism from the perspective of various lenses. However, those perspectives are incomplete when viewed from the standpoint of the complex, interconnected activities involving the social, political, economic, and cultural dimensions embedded in tourism.

The tourism sector comprises a large number of industry segments, including destinations, attractions, and facilities. Each industry is associated with a specific product or activity that, when amalgamated, form the tourism experience. The tourism experience has limited real substance and, consequently, is often based on the tourist's perception. Leiper (1979) and Cornelissen (2005) argue that tourism results from the combination of a series of economic sectors and industries, hence any interpretation of tourism as a single idea is misleading. Many firms that interact with tourists have no meaningful relationship to the notion of tourism, but form a somewhat fragmented supply chain that provides services to any customer. Achieving a singular definition of what constitutes tourism is of importance to governments and industry lobbyists because these interest groups attempt to measure the sector's impact on the economy. Measuring the impact of tourism is essential to develop policy and seek special funding and assistance.

Different countries classify tourism in different ways. For example, Australia does not recognise tourism as an individual sector. This is because the classification of significant industries was established before tourism became significant, and tourism could not be
incorporated into the national account classification. In New Zealand, a wide range of commercial activities falls under the umbrella of tourism, such as tour operators, transport wholesalers, and amusement parks.

In an attempt to develop criteria to classify activities that fall within tourism, Hara (2008) points out four unique characteristics of tourism:

- **Export of services:** When viewed from the flow of international funds, the tourism sector presents a unique aspect of economic effect embedded in the exporting of labour.

- **Reliance on location:** When comparing tourism to the exporting of goods, which may not have specific location constraints for production and distribution, tourism is linked to a specific location and its character and uniqueness.

- **Export of labour in line with free-trade principles:** No pressure is exercised on outbound tourists to divert their spending domestically, unlike in other industries in which lobbyists tend to interfere with the principles of free trade. The transfer of cheaper labour from developing nations leads to the perceived threat of imported products, and lobbyists address this by interfering with the free movement of goods. In tourism, there is no protectionism agenda.

- **Income distribution:** The many payments for the exchange of tourism services mostly flow to the population at large rather than being concentrated on specific segments of the social structure.

Due to both the lack of a consistent definition and its indirect or secondary effects, tourism's economic impact is difficult to measure. However, it is acknowledged that its economic impact is significant. Many economies are exclusively dependent on foreign exchange revenues derived from international tourism, such as many of the Pacific Islands. Tourism multipliers are developed to understand how the revenue generated from tourists flows into other activities in the destination. The concept of the multiplier is at the root of the creation of the Tourism Satellite Account, which attempts to measure the contribution of tourism to GDP by the characteristics of the type of customer demanding the product or activity.

While the contribution of other industries to GDP can be measured by the specific product or activity delivered, tourism's contribution is measured from demand-side characteristics. This requires an understanding of the motivations and determinants of customer demand. For example, buying a product or service is considered a tourism activity depending on whether an overseas visitor or a local individual makes the purchase. In other sectors, such
as agriculture, the contribution is measured from the supply side by the product or activity delivered.

An alternative way to classify tourism from the economic standpoint is to focus on studying tourism within an anthropological and historical setting. From this perspective, the sector is usually linked with the notions of leisure, entertainment, and fun. Freud (1964) pointed out that one of the psychological reasons for travel is human curiosity. Human curiosity underpins the opportunities pursued by tourism entrepreneurs by commercialising landscapes, history, cuisines, religions, and traditions to create tourism products. Within this context, Page and Ateljevic (2009) point out that there is limited literature on the concept of how tourism products or activities come into being. Research is dominated by a focus on cluster or destination development, rather than product and service development, as a means to assist with planning at the local and central government level. The critical point is that the extant literature does not explain how individual product and service concepts emerge as a result of entrepreneurial activity in this sector.

### 3.6 Significance of New Zealand Tourism

The tourism sector’s direct contribution was over $10.6 billion per annum to New Zealand’s economy in 2015, with a further $7.9 billion of indirect contribution (Statistics New Zealand, 2015). This accounts for 4.9% and 3.6%, respectively, of New Zealand’s GDP. Tourism is a significant source of employment, with one in 15 working New Zealanders directly employed by the sector and another one in 20 indirectly employed. International tourists contribute 17.4% of foreign exchange earnings, and this makes the tourism sector New Zealand’s largest export sector. On one dimension, the sector is heterogeneous because it comprises a wide range of niche markets for its participants but, on another dimension, it is quite homogeneous as some 85% of the business are small and medium-sized enterprises (SMEs) employing fewer than five people. Estimates put the total number of tourism-related SMEs at between 13,000 and 18,000, plus ten publicly listed companies (Statistics New Zealand, 2015).

When looking at both the contribution of tourism to GDP and the percentage of the labour force employed by tourism, questions on tourism labour productivity arise. Labour productivity is gauged as the output generated in economic terms per hour employed. As mentioned, tourism directly generates 4.9% of GDP while employing 6.7% of the labour force, thus showing the relatively low productivity of the sector. Traditional economic
theory suggests that labour productivity can be increased by combining the factors of production, such as capital, skills, and knowledge, more efficiently because they can uplift the economic value of the output produced per hour employed. The New Zealand Treasury expanded on that theory and suggested a framework (Kidd, 2008) that also includes the notion of entrepreneurship as a driver of labour productivity. Kidd argues that entrepreneurship activity determines productivity improvements by generating, adopting, and adapting new ideas that create new businesses or improve existing ones.

According to the Unitec Global Entrepreneurship Monitor (2013), New Zealand ranks well on global measures of entrepreneurship. New Zealand scored fourth out of 41 countries for the percentage of the population actively involved in entrepreneurial pursuits, and it scored first in pursuing overseas markets. However, those measures mask the fact that some 65% of entrepreneurs are home-based or owner-managers with very few employees. These entrepreneurs often pursue lifestyle choices, such as the desire for independence, but lack both the scale and the professional managerial skills that are pre-requisites for high productivity. New Zealand tourism industry’s myriad of small businesses that fit the profile of the lifestyle entrepreneur is likely to be a contributing factor to the sector’s low labour productivity, primarily when the sector comprises industries such as accommodation, which employ a high proportion of low-skilled workers. However, Statistics New Zealand (2015) points out that tourism’s labour productivity is similar to that of agriculture and manufacturing (i.e., the two other largest export sectors in New Zealand). Nevertheless, New Zealand’s labour productivity lags Australia’s by 43%. Given the substantial productivity gap between Australia and New Zealand, it is unlikely that this gap will be closed merely by focusing on the factors of production, as suggested by traditional economic theory.

3.7 Significance of the Adventure Tourism and Eco-Tourism Sectors

The Tourism Strategy Group and the Tourism Satellite Account apply different criteria when classifying the industries that operate within the broad tourism sector. However, both sources include industries such as accommodation, attractions, activities, transport, airlines, hospitality, organised tour groups, and events within the sector. This study focuses on two specific niche markets or industries: adventure tourism and eco-tourism, which comprise 13% and 5%, respectively, of the sector’s companies. Adventure tourism has been selected for this research following Ateljevic and Doorne’s (2000) study that points out that adventure
tourism enterprises create new products, thus making a significant contribution to a country’s innovation capabilities. Eco-tourism has been selected because it represents the core industry that underpins New Zealand’s 100% pure branding campaign to attract overseas tourists, and a significant proportion of the innovative entrepreneurial activity is found in these two sub-sectors.

The increase in the number of visitors over the past three decades led to significant demand for and supply of outdoor activities in the form of adventure tourism and eco-tourism. These activities can be found spread out across the whole country, but there are specific clusters of firms in Queenstown, Rotorua, Taupo, Auckland, and Christchurch. Tourism New Zealand points out that adventure tourism and eco-tourism are part of a wide range of activities in which tourists engage. The actual adventure and eco-tourism part of the tourism activity is relatively small when compared to the aggregate of other products and services that form the overall experience. This implies that other recreational services and products attract most of the leisure time and, therefore, tourist expenditure. However, New Zealand is actively marketing its adventurous and rural recreation activities as leverage to spread tourist dollars into indirect activities, such as shopping, sightseeing, and city walks, that are of considerable value to the economy. For example, Queenstown, which is primarily promoted by its adventure tourism attractions, offers a wide range of activities, only some of which could be classified as adventure tourism. Visitors to New Zealand may participate in recreation experiences common to many other destinations, but they may also take part in activities exclusive to New Zealand. Adventure tourism and eco-tourism are, in fact, marketing tools to portray New Zealand as a unique destination to engage in such activities.

Definitions of adventure tourism and eco-tourism vary. In an attempt to find a definition to assist with the classification of firms, studies, as well as New Zealand’s Ministry of Business, Innovation and Employment, adopt the definition developed by Page and Dowling (2002) as “commercially operated activities involving a combination of adventure and excitement pursued in an outdoor environment.” The concept of adventure includes action and active physical participation. Industry researchers point out that adventure tourism requires the use of specialised equipment and the activity is usually directed or supervised by an experienced operator. Adventure tourism involves perceptions of risk, excitement, and novelty. Participants voluntarily put themselves in a challenging situation where they believe they are taking a step into the unknown, a place where they gain something valuable from the
uniqueness of the experience (Swarbrooke, 2003). Adventure tourism participation involved over 500,000 international holiday tourists, which represents 17% of total international tourists (Ministry of Business, Innovation, and Employment, 2012). Arguably, adventure tourism activities represent a discretionary activity that is experienced by a significant proportion of overseas visitors.

Early definitions of eco-tourism or sustainable tourism also vary. The notion of eco-tourism began to be known in the early 1980s when eco-tourism was associated with tourism to natural areas for enjoyment and education (Ceballos-Lascuráin, 1987). Over the following decades, the meaning of eco-tourism expanded to incorporate a range of activities such as environmental conservation, economic development, cultural preservation, and ethics (Donohoe & Needham, 2006; Fennell, 2001). Eco-tourism has been seen as a positive alternative to mass tourism from the perspective of environmental sustainability. The accepted definition of eco-tourism has been provided by the International Ecotourism Society (TIES), as responsible travel to natural areas, with the objective to preserve the environment and sustain the well-being of the local habitats and communities (TIES, n.d.).

In eco-tourism, visitors do not disturb the environment and adopt a passive, observational stance. Ceballos-Lascuráin (1996) describes eco-tourism as travel and visitation to natural areas in an environmentally responsible manner, with the objective of gaining an appreciation of nature and cultural features, while promoting conservation and minimising visitor impact and providing for beneficially active socio-economic involvement of local people (Ceballos-Lascuráin, 1996). Mason (2008) furthered this view and defined sustainable tourism as “nonintrusive, non-depleting and renewable, scaled to the particular environment, natural in material make-up and presentation and well integrated into the local physical, social, cultural and economic environment” (p. 217).

Niche tourism markets such as adventure tourism and eco-tourism sit in direct contrast to modern mass tourism. Both markets involve distinctive and unique products that cater to customer needs for a different and more meaningful experience than that offered by the standardised approach of mass tourism. From the entrepreneur’s perspective, niche tourism products provide an opportunity for specialisation, which is a key to developing a competitive advantage. Those two sectors should be the focus of New Zealand tourism entrepreneurship activity because the potential for differentiated products exists, especially when compared to other those of other destinations. Niche tourism activities pursued by
entrepreneurs have the potential of achieving a competitive advantage by increasing the value offered and, consequently, prices. A differentiated product or activity can command a price premium, hence a lift in the productivity potential. Increasing entrepreneurial activity in tourism, therefore, responds to strategy theory (Porter, 1980, 1985), which suggests that opportunities should be pursued where a competitive advantage is available.

From New Zealand’s perspective, niche products are the critical conduit for future economic growth and prosperity by uniquely meeting specific customer needs. Hackett (first to launch a bungee-jumping operation), Sinclair (first to use helicopters for sightseeing and commuting), and Tarlton (first to develop a walk-through marine adventure) characterise the lifestyle entrepreneur profiled by Ateljevic and Doorne (2000), interested in creating and developing certain types of services and products closely linked with lifestyle choices for focused customer niches. These illustrations are not necessarily exceptions; there are many other products such as Woodhill Forest’s Four-Track Adventures, Kaikoura’s Whale Watch, Waitomo’s Glowworm Caves, Auckland’s Reverse Bungee, Queenstown’s Shotover Jet, and Kaikoura’s Seal Swim that represent the output of entrepreneurial adventure tourism and eco-tourism activity in New Zealand. Wealthy economies have become successful by pursuing, among others, value-added, differentiated niche services and products. It seems self-evident that New Zealand should pursue a similar macro-economic strategy, and differentiated niche tourism products or activities resulting from entrepreneurial activity can uplift New Zealand competitive position and, consequently, gross domestic product. As Ateljevic and Doorne (2000) put it “research indicates that these lifestyle entrepreneurs are often instrumental in the creation and introduction of innovative products to the wider industry which are not only capable of articulating values common to the sustainability debate with respect to a sense of place and community, but also stimulate regional development and reproduction of niche market products” (p. 378).

The growth of New Zealand adventure tourism and eco-tourism experiences has seen significant changes in the sociocultural landscape and the destinations involved. Importantly, some such changes are the direct result of marketing and promotion activity by entrepreneurs and government agencies. References to Queenstown as “The Adventure Capital of the World” and “Natural Theme Park” reflect Shields’ (1991) observations that unique symbolic meaning and places accompany geographical destinations are endowed with images that can form a “place-myth.” Arguably, the formation of New Zealand’s place-
myth destinations is the consequence of entrepreneurial activity resulting in adventure tourism and eco-tourism products.

3.8 Concluding Comments

Although tourism research has developed over the past 60 years, the contribution from the field of entrepreneurship to tourism research has been fragmentary, and the focus of limited studies particularly during the last 20 years. Still, less than two per cent of peer-reviewed articles published in tourism-related journals involved entrepreneurship research, representing an average of fewer than five articles per annum. Selecting the New Zealand tourism sector as the context for this study contributes toward addressing the limited research in the area, although it should be borne in mind that this study adopts a convergent approach to tourism in which tourism is seen as a context, not as a phenomenon. Nevertheless, exploring the process and consequences of entrepreneurial decision making in this sector contributes toward expanding the limited range of studies in the existing literature.

The sector attracts the artisan type of entrepreneur, who generally has strong lifestyle aspirations and rejects profit orientations. From this perspective, it is difficult to distinguish tourism as a sector from tourism as a phenomenon, given that a specific type of entrepreneur seems to direct action towards new ventures in the sector. The conundrum between tourism’s contextual factors and tourism as a phenomenon leads to the choice of a research strategy for this study, as it will be explained in the next chapter – a strategy that will take into account the challenges of separating context from the phenomenon.
CHAPTER 4 - METHODOLOGY AND METHODS

4.1 Introduction

The previous chapters discussed (1) how entrepreneurs start new ventures, (2) the motivation that underpins their entrepreneurial actions, (3) their common personal backgrounds, and (4) the relationships that exist with the resulting performance outcomes. An outline of the New Zealand tourism sector was also provided. This discussion led to identifying an empirical research gap about how New Zealand entrepreneurs undertake the process of launching new tourism businesses. Specifically, this thesis contributes to closing this research gap by conducting empirical research to investigate the following research questions:

Q1: How do New Zealand entrepreneurs adopt a decision-making logic to start new tourism ventures?

Q2a: How does the entrepreneur’s motivation relate to the decision-making logic that is adopted?

Q2b: How does the entrepreneur’s background relate to the decision-making logic that is adopted?

Q3: How do performance outcomes relate to the decision-making logic that is adopted by the entrepreneur?

The nature or type of research questions has implications for the study’s research methodology. The objective of this chapter is to explain the methodological and empirical journey of this thesis, including the foundation upon which the research philosophy and strategy were chosen and the sampling scheme used, and how data were collected and analysed.

The chapter is organised into two parts. The first part explains and justifies the critical realism research philosophy and outlines the research strategy, which is based on multiple case studies. This first part provides a nexus between the theoretical foundation of this research that was developed in Chapter 2 and the empirical phase. The second part of this chapter covers the sampling method, the data collection procedures, and the steps taken to establish reliability and validity of the research. The empirical data were collected from both primary and secondary sources. Primary data were collected from stories from tourism entrepreneurs, and secondary data for triangulation were obtained from publicly available sources and site observations.
The unit of analysis chosen for this study is the “entrepreneurial tourism start-up project,” which is defined as the process of starting a new venture from the perspective of the entrepreneur. Four tourism entrepreneurial ventures were selected for an initial pilot study, based on theoretical propositions and a theoretical sample. After collecting data from those initial four ventures, the primary data collection phase continued until replication occurred. Data on fifteen tourism entrepreneurial ventures were collected, in addition to the data from the four pilot ventures. This chapter describes the analysis procedures.

4.2 Research Design

Leitch, Hill, and Harrison (2010) criticise the limited focus placed by researchers on justifying a research approach grounded in the specific body of literature of the relevant field. Mindful of this criticism, I first sought to understand the current debates regarding the ontological, philosophical, epistemological, and conceptual grounds on which current research on entrepreneurship and tourism has been conducted. Following the choice of research questions and setting, I reviewed the literature of research methods within the disciplines of entrepreneurship (e.g., Acs & Audretsch, 2010; Low & MacMillan, 1988; Neergaard & Ulhøi, 2007) and tourism (e.g., Ateljevic, Pritchard, & Morgan, 2007; Ritchie, Burns, & Palmer, 2005; Ritchie & Goeldner, 1994).

The review led to identifying the positioning of the research paradigm as a first step in determining the design of this study. In this context, the paradigm refers to the view of the world that informs the researcher and provides a set of guiding beliefs and principles around epistemology, ontology, and methodology (Denzin & Lincoln, 2000). The ontological paradigm of this study is the critical realist perspective as highlighted by Bhaskar (2008) and Sayer (1992, 2000). Critical realism was implemented using a multiple case study research strategy. The justification for the selected research paradigm and strategy is outlined in the following sub-sections.

4.2.1 Research paradigm

Under the critical realist paradigm, the world exists independently of both the observer and the knowledge the observer has of it, but the world can only be observed, and understood, imperfectly (Bhaskar, 2008; Denzin & Lincoln, 2000; Sayer, 1992). The understanding of the world is constrained by several factors, such as the flawed observations of the researcher and her or his unclear perceptions. In parallel, the context shapes the interpretation of information and events (Connell, 2007). Clark and Blundel (2007) point out that a critical
realist paradigm adds legitimacy to the study of processes, mechanisms, and structures that underlie a particular phenomenon. From the perspective of this study, the phenomenon is the new tourism venture launch.

Flawed observations of the researcher, as well as his/her assumptions about the world, confound scientific inquiry, but sometimes researchers are not aware of such limitations (Easton, 2002). Assumptions and the potential for flawed observations are embedded in the ontology of the study, with ontologies considering either objectivism (i.e., the existence of structured, objective reality) or subjectivism. Launching a new venture reflects the interaction between an entrepreneur (i.e., a subjective agent) and the process of venture formation (i.e., an objective structure), and this implies that no ontological extreme is appropriate for inquiry (Sarason, Dean & Dillard, 2006). Researchers (e.g., Sarason, Dillard, & Dean, 2010; Mole & Mole, 2010) suggest that an ontological approach that considers the interplay between the agent and the structure be considered, with critical realism being an appropriate philosophy. Critical realism eschews the binary proposition that reality is either objective or subjective, but maintains that a structured, objective reality plus a subjective agent co-exist. Both constructs have the capability of having an impact on reality (Lawson, 1997; Reed, 2005; Fleetwood, 2004).

Conceptualising the world and explaining reality through knowledge acquisition are the reasons for undertaking research (Danermark, Ekstrom, Jakobsen, & Karlsson, 2002). This standpoint is based on work by Bhaskar (2008), who suggests that reality is organised around three not necessarily observable dimensions or domains, namely empirical, actual, and real. Unlike other research philosophies, the critical realism paradigm uses retroduction, which infers events by identifying the underlying mechanisms that can produce such events (Sayer, 1992). Critical realism, as a philosophy that employs retroduction, is about finding the mechanisms, processes, and structures that are capable of causing a particular phenomenon or event.

Retroduction involves placing focus on the broader processes that produce an event or outcome, rather than on the outcome or event itself. Figure 4.1 illustrates the three domains of reality as drawn from the work by Bhaskar (2008) and Sayer (2000). The three dimensions of reality (i.e., empirical, actual, and real) are portrayed. The researcher draws observations from the empirical dimension. However, events occur in the actual domain. The actual dimension is independent of the researcher’s observations, so events may be
unknown or understood by different researchers differently. In the real dimension, the underlying mechanisms causing events and phenomena exist. Mechanisms are the resulting outcomes from the influence of an array of structured entities (Bhaskar, 2008). The structured entities include processes, people, technology, and other resources that affect each other. Fundamentally, the actual and real dimensions of reality can only be partially observed (Danermark et al., 2002).

Figure 4.1: Retroduction Logic

Easton (2010) argues that researchers who adopt a critical realist paradigm investigate outcomes and events. For example, to understand an event like entrepreneurial venture formation, the researcher needs to focus on the underlying processes that result in it. According to Healy and Perry (2000), by identifying, analysing, and combining the knowledge and understanding gained by examining subjects that have experienced the same event, a complete understanding of reality can be accessed. Individual insights from subjects do not necessarily reflect reality, but they provide glimpses of reality from which a holistic picture of it can be sketched. Hence, a set of personal insights from different individuals can lead to grasping objective reality, albeit incompletely and imperfectly. However, drawing insights from the realities lived by a series of different subjects can and do provide the chance of a deeper understanding of an event, such as venture formation.

Central to critical realism is a tenet that structure exists regardless of our ability to observe it, or indeed to have knowledge of its existence. However, Sayer (2000) suggests that critical realism cannot overcome the risk of subjective interpretation because structure and subjective agents are fluid, given the constant interaction between both constructs. Specifically, in the context of this study, venture formation (i.e., a process underpinned by
Structures) is initiated by the actions of an agent (i.e., the entrepreneur). Therefore, reality emerges from the ongoing interactions between objective and subjective elements. Blundel (2007) takes this idea further and argues that the outcome of the interaction between agents and structure may have little to do with the contribution of agents to such interaction. However, Archer (2000) argues that agents can learn the features of structures, especially structures that result from the actions of past agents. Current entrepreneurs, as agents, can learn from experienced entrepreneurs about the underlying structure of venture formation. Structure is somewhat independent of agents but can enable or hinder agents. For example, the development of a business plan to launch a venture is a structure that current entrepreneurs have to undertake because previous entrepreneurs established it as the de facto standard when seeking funding.

Structure is not static; it can change for better or worse outcomes. The consequence of this dynamic behaviour is that phenomena and events, underpinned by structures, are always emerging. However, Tsoukas (1989) and Sayer (1992) argue that structure and agents do not necessarily explain phenomena, but the interaction between structure and agents may provide a causal explanation for the emergence of the phenomena. For example, the phenomenon of venture formation is the result of the interaction between a willing agent and structure, not just the result of a willing agent. In other words, the causal power of an entrepreneur as the agent does not per se lead to the launch of a venture unless an underlying process to launch the venture occurred. Sayer (1992) stresses the point of the need to understand the mechanisms capable of producing a phenomenon as the only way to provide a causal explanation. Consequently, the critical realist philosophy allows for a perspective on the problem of new venture formation. New ventures are not the result of either a process or a willing agent, exclusively. Instead, new ventures are the result of the interaction between structure and agents.

To implement the critical realist philosophy, a multiple case study approach will be implemented. This research strategy is outlined in the following section.

4.2.2 Research strategy

Easton (2010) and Sayer (2000) point out that a critical realism paradigm involves elements of the interpretivist philosophy, which requires qualitative data. A case study approach is particularly appropriate for crafting a detailed view of reality (Flyvbjerg, 2006, 2011). This chosen research strategy is justifiable on several grounds. From a philosophical standpoint,
the case study method has been the traditional method that critical realists have chosen. Harrison and Easton (2004) point out that this method allows critical realist researchers to draw on a variety of data sources, such as interviews, documents, and statistical data. A case approach under a critical realist paradigm is appropriate when the event or phenomenon under examination is bounded and complex (Easton, 2010). In addition, multiple case studies can (1) produce rich descriptions of events and their underlying processes (Eisenhardt & Graebner, 2007), (2) provide a persuasive explanation of cause and effect constructs and a better understanding of such constructs (Siggelkow, 2007), and (3) identify the intricate and non-explicit processes that explain how and why an event occurs (Blundel, 2007).

Overall, multiple case studies can generate an in-depth, real-world explanation of a phenomenon that can lead to compelling explanations of the phenomenon’s underpinning mechanisms, thus enriching theory (Eisenhardt, 1991; Eisenhardt & Graebner, 2007). The outputs from the multiple case study approach include a detailed, real-world picture of the phenomenon or event explored. Furthermore, Blundel (2007) argues that multiple cases can uncover causal explanations, the unobservable, concealed, and obscure elements that explain how an event occurs. This is supported by Benbasat et al. (1987), who argue that case studies are particularly appropriate for answering how questions. Yin (2008) argues that case studies are suitable when examining a phenomenon within a specific context, such as new venture launch within the tourism sector. The primary advantage of a case study strategy is that it allows the researcher to build on a variety of data sources as well as different levels of analysis which facilitates both understanding of the case as well as explaining it (Bonoma, 1985). Multiple cases can also take into account factors outside the agent’s control, hence providing an all-encompassing view of a phenomenon, such as venture formation, and consequently a rigorous explanation.

A multiple case study method is supported by a long tradition in fields within social science. In particular, processes that can be characterised as nuanced and unique, like entrepreneurship, require a method, such as case study, that accounts for these characteristics (Bygrave, 1989). If an entrepreneurial process being observed is bound to incorporate unique features, then the potential for theory development arises. Multiple cases offer the opportunity to provide unique insight into venture formation and potentially, to extend theory (Stake, 2000). Multiple case studies provide a platform for understanding a
phenomenon without necessarily looking at the intricacies of a particular case; instead, cases are used tangentially and contributorily.

Easton (2010) and Gibbert, Ruigrok, and Wicki (2008) suggest a case study approach allows for either qualitative or quantitative data collection methods, including mixed methods. It also allows for data to be collected through a range of media, such as interviews and observations, and for the investigation of the study of the phenomenon or event in its context (Yin, 2012). The latter point is important because, as Denzin (2000, 2008) and Denzin and Lincoln (1998) suggest, in the social sciences, which includes entrepreneurship, knowledge is fundamentally temporal and context-specific. Also, building on a variety of data sources enables understanding of the phenomenon as well as explaining it (Bonoma, 1985). Additional data, such as those from secondary sources, can assist with triangulation, which in turn can enhance the strength of conclusions (Yin, 2009).

Within the considerations of both the critical realist paradigm and the multiple case studies method, qualitative interviewing has increasingly emerged as the preferred tool of data collection in entrepreneurship research (Jennings, 2005). In most research settings, over the past few decades, interviews have become the de facto data collection method, to the point that many have described the current environment as an “interview society” (Holstein & Gubrium, 2004). This is exacerbated in the context of tourism, where the interview method is used extensively in market research as a part of mixed-methods designs. However, the interview is a suitable tool to give space to the various voices and views of the tourism entrepreneurship phenomenon while adding holistic detail to the social, cultural, temporal, and context nature of the field (Jennings, 2005).

There is a full span of qualitative interviews, each underpinned by a different philosophical basis, and each has its place in the context of research. Gubrium and Holstein (2003) report that the structured interview has maintained a dominant role as a preferred research method since the middle of the 20th Century. However, in-depth, semi-structured interview techniques have consistently gained academic acceptance. The specific tenets of in-depth, semi-structured interviews involve (1) the interview is conducted in a conversation-like manner with a semi-emergent design in which the researcher adopts a subjective and reflexive stance; (2) the researcher views the interviewee as a co-researcher and informant; (3) data are collected by means of field notes, transcriptions, and recordings; and (4) findings are reported as insightful and in-depth narrative based on textual analysis. Bryman (2004)
argues that semi-structured interviews are suitable for investigating processes as experienced by the participants. Clark and Blundel (2007) and Healy and Perry (2000) suggest that the richness of data gained from semi-structured interviews can provide a glimpse of a picture of reality as experienced by the interviewee. In aggregate, a series of interviews provide a platform for the critical realist to theorise.

An essential point for researchers to understand before starting the process of data collection is what constitutes quality in qualitative research. Denzin (2001), Guba and Lincoln (1990), and Potter (1996) argue that quality in qualitative research is achieved when, inter alia, (1) value-laden subjectivity in the researcher is acknowledged, (2) multiple perspectives are captured and respected, (3) integrity of idiosyncrasies of particular cases is achieved, and (4) enhanced understanding, rather than statistical generalisation, is reached. Those characteristics satisfy Lincoln and Guba’s (1985) criteria for qualitative research: credibility, transferability, dependability, and conformability.

Guba and Lincoln (1989) later revised those criteria and added five more criteria that focused on the construct of authenticity: fairness, ontological authenticity, educative authenticity, catalytic authenticity, and tactical authenticity. Authenticity refers to the research output’s reflection of what the researcher has observed and experienced, offering accounts reliably, which make the phenomena come alive. This is achieved through oral histories that provide contextual meaning to the phenomena being studied. Authentic studies uncover inferred data and information and go beyond the stories told by the informants. This demands detailed and in-depth inquiry, as well as focus on why questions (Wigren, 2007).

McKenzie (2007) points out that oral histories are narrative discourses and linked statements that form an integrated account. McKenzie also points out that what is essential in a retrospective account of entrepreneurial activity is the thick description of the entrepreneur’s experience rather than factual accuracy. Indeed, the time delay between the live experience and the recollection of the lived experience bridges the interpretation of both past and present (Gummesson, 1999). Evans (1987) and McKenzie (2007) highlight that the interviewer should become a sounding board for the subject’s verbal histories. Verbal histories provide a unique basis for an interviewee to order reality (Bruner, 1986). Atkinson (1998) highlights that life stories help understand how an individual views his or her development and, more importantly for this thesis, the development of his or her venture. Although it is thought that retrospective accounts introduce natural biases, McKenzie (2007) argues that the period
between the events and the retrospective accounts provides the entrepreneur with a chance to reflect on such events. Retrospectiveness, from this perspective, is a strength of the interview method.

These observations from the extant literature on what constitutes quality qualitative research and the role of interviews in data collection provided the foundation to embark upon the empirical data collection process, which is discussed in the following section.

4.3 The Empirical Journey

Before this study started, I explored the research topic of how entrepreneurs move to action as a result of filling in for an entrepreneurship lecturer on sabbatical leave. Also, I was providing consulting services to start-up firms at two incubators. My first-hand contact with entrepreneurs, academics, small-venture advisors, angel investors, and venture capitalists was the starting point of the literature review, research model, and research questions. The informal conversations I had with those people provided many early-stage insights into the research field from a pragmatic and practical perspective. The conversations broadened my understanding of the process of launching new ventures, especially about opportunity discovery and opportunity creation – the two broad approaches to entrepreneurial action. Importantly, I was drawn in by the question of how each may relate to objective and subjective measures of performance outcomes, and how each approach may relate to the entrepreneur’s previous experience and overall background. Additionally, researching in this area could inform my consulting services to future entrepreneurs by providing evidence-based advice underpinned by what I would observe, learn, and discover from conducting this study.

At the outset, I found out that research on the two approaches to entrepreneurial action had gained momentum after the publication of Sarasvathy’s (2001a) paper in which she outlined five elements of effectual entrepreneurship. Although the notion that entrepreneurial opportunities are made, rather than found, had been explored in the literature well before, Sarasvathy’s (2008) research was the first to formalise the elements of entrepreneurial expertise via a systematic experimental protocol performed on almost 30 expert entrepreneurs. The volume of papers on the topic published in refereed journals has increased significantly over the past few years, especially after the publication of Sarasvathy’s (2008) book Effectuation: Elements of Entrepreneurial Expertise.
I decided to thoroughly review prior research on new venture launch from the perspectives of several disciplines such as psychology, economics, strategy, entrepreneurship, and small business management. The outcome of this review is included in the previous chapters. At the same time, a descriptive review of the overall New Zealand tourism sector and, specifically, the adventure tourism and eco-tourism sectors, was performed. The New Zealand tourism sector was chosen as the overall context of this research because of the importance of tourism to the New Zealand economy, given that it is one of the two largest export revenue generator sectors and the most significant employer with 6.7% of the adult working population working in it. The choice of two specific sub-sectors, adventure tourism, and eco-tourism was made because they represent the two areas within tourism with the highest potential of entrepreneurial activity.

To understand how entrepreneurs launched new tourism ventures, it was necessary to select tourism businesses with an identifiable founder. New Zealand is renowned for having a myriad of small tourism businesses, given the high business start-up rate as well as the fact that the sector is prone to attract life-style operators. The sample had to include entrepreneurial firms, but this study was also about the way that people launched new tourism firms. However, studying the people who acted with an intention to move to entrepreneurial action, as well as it antecedents and consequences, was not about studying the entrepreneur’s life. Instead, it was about how they move from idea to action, what motivated them to do so, and how they would rate the outcome of their actions. In short, I wanted to look at the agents that resulted in entrepreneurial activity (Mole & Mole, 2010). The agent is the distinctive feature of entrepreneurship and emphasising the agent is what generated insights and understanding in previous qualitative research of entrepreneurship (Short, Ketchen, Combs, & Ireland, 2010).

This study attempts to avoid the risk of becoming a story of the entrepreneur (Steyaert, 2007). The focus of the analysis is how motivated people start up tourism ventures and how they do it, given who they are and what they know. Critical realism supported by multiple cases places the focus away from an individual’s story and closer to universal themes, and dissimilarities, among multiple entrepreneurs. The entrepreneurs’ stories provide a platform for identifying and exploring the structures, processes, and mechanisms of tourism venture formation, as well as how these underlying causal powers relate to the performance outcomes of the ventures. The deliberate or unwitting social structure emerging from
entrepreneurial action is also a focus of analysis, including any potential event that was not under entrepreneurial control. However, given that the unit of analysis is the “entrepreneurial tourism venture start-up project,” the design of this study is appropriate to study similarities and differences among situations and events, rather than similarities and differences among people (Patton, 2001). Focusing on projects meets theoretical and pragmatic considerations in the sense that projects fit with the research questions and do not require collecting data beyond the entrepreneur’s business, or beyond the entrepreneur’s perceptions. This is supported by Davidsson (2004), who suggests that entrepreneurial action depends on the entrepreneur’s perceptions, rather than facts.

4.3.1 Sampling

Onwuegbuzie and Leech (2007) argue that, in some qualitative research studies, sampling design and sample size appear to be selected either in an arbitrary manner or with limited, if any, justification. This is so because, unlike quantitative research, the goal of qualitative research is not necessarily to generalise findings from a representative, large sample. Instead, the goal of qualitative research is to extract meaning from data and obtain specific context- and time-specific insights into practices and processes. Extracting meaning from data requires a sufficiently large number of words to avoid problems of representation and legitimisation (Denzin & Lincoln, 2000).

Representation refers to the ability to capture experience and legitimisation refers to the ability to interpret data. This means that sampling considerations in qualitative research should take into account the means to capture an adequate number of words to reach an understanding of the underpinning phenomena. Lincoln and Guba (1985) refer to the notions of persistent observation and prolonged engagement as critical determinants of both the length and number of interviews. However, adequate length and number of interviews per se are not sufficient to avoid a common problem in qualitative research: bias due to the under-representation of critical subjects (Maxwell, 2004). Vital components of good sampling are both an appropriate selection of critical subjects, who know the phenomenon under study, plus obtaining a sufficient number of words from each subject.

In the context of entrepreneurship research, Neergaard (2007) observed that a sampling design to target maximum variation is the most common strategy for researchers in the field. Patton (2001) highlights two main advantages of a maximum variation sampling design. First, common patterns emerging from maximum variation are of great interest. Second,
data analysis from heterogeneous cases can yield a mix of both uniqueness and commonality of findings. In the context of this study, the uniqueness and commonality of findings focused on how the entrepreneurs started up a venture, what motivated them to embark upon the conscious phenomenon of company formation, and how they perceived the resulting performance outcomes. Maximum variation can assist with consolidating individual experiences into a description of the universal essence (Van Manen, 1990). Following Davidsson (2004), sampling was determined by a desire to sample start-up process ideas, as suggested by Bygrave (2007) and Sarasvathy and Venkataraman (2011), as opposed to determining sampling by the expectation of delivering statistical representativeness.

The overall sampling approach started by focusing on New Zealand eco-tourism and adventure tourism businesses that were actively marketing their products and services locally and internationally. To identify these businesses, I sought publicly available data from industry bodies, tourism aggregator websites, and marketing material available to tourists. Once the specific brand names were identified, I ensured that the businesses would fit into the sampling strategy highlighted in this chapter. I reviewed the New Zealand Companies Office’s website to determine if the initial shareholder or company director was identifiable and still involved in the company. The Companies Office is the government agency responsible for administering data on corporate entities, securities over personal property, capital markets, and financial products. The Companies Office’s website offers an electronic register where company information and documents can be filed and viewed online; it stores primary data about every company, including a history of shareholders, directors, addresses, and business types.

I searched the Companies Office’s website using the business’ name as search criteria and later downloaded various registration documents to verify the names of the initial shareholders and directors, and whether these names were also listed as current shareholders and directors. The purpose of this exercise was to identify the company founder who could provide information on the process followed to launch the new venture. Ensuring that the founder was still involved in the venture was needed to inform the two additional research questions.

I did not focus on the specific longevity of the business because having a range of different businesses could lead to novice, expert, and serial entrepreneurs, hence maximising variation. Despite the fact that a business is influenced not only by the founder but also by
the context and setting he or she operates in, I did not apply any typology of new venture opportunities as proposed by the entrepreneurship literature (e.g., Eckhardt & Shane, 2003). I did not specifically seek to define *ex ante* the type of opportunity associated with each entrepreneur, whether created or discovered, as I assumed that the type of opportunity pursued was critical to defining the type of underlying processes when launching a new venture, and I wanted to investigate as many underlying processes as possible.

Eisenhardt and Graebner (2007) argue that the case study method allows for revising the frame for sampling. Revisions in multiple case study design might be considered to ensure that cases are available to populate opposite extremes on a relevant scale. After a preliminary analysis of the cases for this study, I concluded that there were typical cases where opportunities were either found or built, where either extrinsic or intrinsic rewards motivated the entrepreneur, and the cases reflected a range of performance outcomes levels across some measures. This approach follows Siggelkow (2007) and Eisenhardt and Graebner (2007), who argue that sampling frames should be guided by theory to ensure that contrasting cases are included to allow for theory building based on replication. As suggested by Miles and Hubermann (1994), preparation of case summaries and vignettes, assisted with ensuring that the cases offered an opportunity to explore contrasts across the dimensions of the source of opportunity, motivations, performance outcomes, and the entrepreneurs’ backgrounds.

4.3.1.1 Pilot study

The fieldwork was divided into two phases: Phase 1 (pilot) and Phase 2 (main study). Phase 1 was conducted in February and April 2012, and the aim was to conduct four interviews. The objective of a pilot study is to pinpoint shortcomings with the research design (Maxwell, 2004). As mentioned previously, a list of adventure tourism and eco-tourism firms from industry associations was obtained as a means to find initial candidates for the pilot study. Ownership and date of registration details were obtained from the Companies Office. From that list, 20 potential participants were invited to be part of the pilot study for this research. Follow-up telephone calls to the potential interviewees were made to establish if the founder of the firm was still involved with the business and was available for an interview. The intention was to interview only entrepreneurs who had been involved personally from the early stages of company formation and were still involved with the firm at the time of the interview. From the initial list of 20 potential participants, twelve declined to participate,
two were not actively in business, and two were not contactable. Four interviews for the pilot study were arranged.

The pilot study gave me an opportunity to snowball or chain-sample entrepreneurs who would fit my sample. Patton (2001) points out that snowballing is useful when the first informants have the necessary knowledge to guide the researcher towards cases or informants who may exemplify the focus of research – the subjects are asked “Who else can I speak to about this?” and the snowball grows. Snowballing may lead to a wide variety of cases and informants at the beginning, but then start to converge after a few subjects. Neergaard (2007) notes that snowballing is commonly employed when it is difficult to identify the population from which to select informants. However, in snowballing the researcher has limited control over the sampling method, and representativeness of the sample is not guaranteed; the actual distribution of the population and the sample cannot be known. There is also the risk of sampling bias as subjects tend to nominate people they know well, so it is probable that the subjects share the same traits and characteristics. Identifying the population for this research was not difficult, so only two subjects were identified from snowballing. Limiting snowballing precluded the disadvantages of this mode of subject identification.

4.3.1.2 Main study
As the rationale for arriving at a sample size was not explicit in the literature, I did not start with pre-determined sample size but aimed to achieve saturation and replication. Sampling was underpinned by multiple cases of entrepreneurial tourism start-up projects, from which retrospective and comparative data would be obtained. This step allowed for the exploration of underlying structures to the project of venture formation, including its antecedents, in the form of entrepreneur’s motivation and background, and consequences, in the form of performance outcomes as determined by the entrepreneur. The cases were sampled within the sampling frame discussed in the previous section to achieve replication, but the number of cases was not determined a priori. Macnee (2004) observes that it is difficult to anticipate sample size in research because data gathering should continue until reaching saturation. On the other hand, Polkinghorne (1989) suggests five to 25 in-depth interviews, Creswell (1998) recommends up to ten interviews, and Morse (1994) as few as six.

During Phase 2, which was conducted between April 2012 and December 2012, my approach was to interview and transcribe the interviews and, after every set of four
interviews, to perform a preliminary thematic analysis. The process to contact potential interviewees was similar to that of the pilot test. A list of all adventure tourism and eco-tourism firms from industry associations was obtained as a means to identify initial candidates for the main study. From that list, I randomly selected 20 potential participants. Then I used the Companies Office’s website to confirm that the initial shareholder was still with the firm. A preliminary analysis of the companies’ websites ensured that the cases met the definition of eco-tourism or adventure tourism. I invited them via email or by physical mail to be part of this research. I waited for two weeks before following up via a phone call to those entrepreneurs who had not replied to my invitation. Follow-up telephone calls to the potential interviewees were conducted to establish if the founder of the firm was still involved with the business and available for an interview. The intention was to interview only entrepreneurs who had been involved personally from the early stages of company formation and were still involved with the firm at the time of the interview. Entrepreneurs were invited to take part in a semi-structured interview of between 60 to 90 minutes duration. Depending on the number of positive responses, I targeted another 20 firms, and so on. Table 4.1 shows the five cycles of invitations and the response rate.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Phase</th>
<th>Entrepreneurs approached</th>
<th>Declined</th>
<th>Not actively operating</th>
<th>Unreachable/ non-response</th>
<th>Affirmative response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilot</td>
<td>20</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Snowballing</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>20</td>
<td>9</td>
<td>0</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td>3</td>
<td>0</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>20</td>
<td>5</td>
<td>1</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>20</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>102</td>
<td>32</td>
<td>5</td>
<td>46</td>
<td>19</td>
</tr>
</tbody>
</table>

As mentioned previously, I did not start with pre-determined sample size. Instead, the aim was to reach saturation as well as obtain cases that covered opposites about opportunity source (i.e., created or found), motivation (i.e., extrinsic or intrinsic), and performance outcomes. Saturation and replication were arrived at after interviewing entrepreneurs
corresponding to 16 cases, including the four pilot subjects, but I continued with interviewing three additional entrepreneurs with whom I had already organised interviews. The preliminary analysis of the cases suggested that about half of the projects involved opportunities that were found and another half that were made. Also, about half of the cases involved entrepreneurs motivated by extrinsic rewards and another half by intrinsic rewards. Overall, opposites were present in the sampling frame, and hence well populated. A foundation for the emergence of patterns was established.

Although I was not explicitly seeking to interview entrepreneurs whose businesses had failed, by a chain of serendipitous events, I interviewed three entrepreneurs whose businesses had failed. Primarily, the interviews were organised a few months in advance, and the entrepreneurs decided to close their businesses in-between my initial approach and the interview date. This proved to be very valuable as their stories included observations that contributed to the thematic analysis, as well as assisting toward avoiding survivor bias. Bitektine (2008) highlights the limitations of case study design in social science research, and places specific emphasis on the problem of survivor bias:

Another issue with the post hoc, or retrospective, study design is that it may conceal serious methodological flaws in sampling and data collection. Several methodological problems, such as left-censoring or survivor bias in sampling or “attributional” biases and “post hoc rationalization” in data collection from the interviewees have been shown to be a common problem in post hoc studies. (p. 163)

Including cases of failed businesses prevents inadvertently overlooking the actions of entrepreneurs that would otherwise not fit a research frame, hence becoming invisible during the data analysis. Understanding the underlying structures and processes leading to the launch of a venture that would later fail would prevent attributing particular property to successful ventures.

4.3.2 Conducting the fieldwork

The pilot study helped towards gaining efficiency and effectiveness in the interview process by streamlining the interview protocol to ensure consistency. Miles and Huberman (1994) point out that consistency is vital in inquiries involving data sourced from several subjects and where such data are collectively analysed, compared, and contrasted. The pilot study allowed for critical themes to emerge.

Once the pilot interviews were complete, I transcribed the interviews and started to undertake a preliminary thematic analysis, highlighting notable quotes of how the
entrepreneurs experienced the process of company formation. This responds to the task of horizontalisation highlighted by Moustakas (1994). This step helped with the process of self-reflection of my role of interviewer and referred to the process of transcending information and knowledge from statements, where every statement has equal value. I used semi-structured interviews with three top-level questions for discussion, which I mentioned at the beginning of the interview and from which I let the conversation flow naturally. At the conclusion of the pilot study, no changes were made to the interview guide and overall design. The pilot study served the purpose of confirming the interview script as well as giving me the confidence to handle the interview situation. Given that there were no changes to the interview questions or the interviewing technique, the pilot interviews were included in the main research sample and the corresponding cases analysed with the rest of the cases.

The interviews provided the foundation to observe the processes and practices of venture formation in context. Multiple interviews from a maximum variability sample were used to uncover patterns of similarity and uniqueness. The number of entrepreneurs sampled ensured that the study was populated well, allowing for later comparisons among the various categories. Table 4.2 shows the 19 cases, four that were part of the pilot test and 15 that were part of the main research phase. Four interviews involved two people each (i.e., husband and wife) who were jointly involved in the process of venture formation and beyond. Thus, 23 entrepreneurs were interviewed.

The interviews were framed around three broad, open-ended questions at the beginning of the interview as follows:
1. What was your background before starting the venture?
2. Why did you decide to start the venture?
3. How did the venture evolve and perform over time?

The questions were intended to provide direction to the interview and to achieve standardisation across interviews as a basis for comparisons. A subset of questions was asked if the entrepreneurs’ answers did not adequately address one of the main questions.
Table 4.2: Overview of the Cases (in no particular order)

<table>
<thead>
<tr>
<th>Informant</th>
<th>Case</th>
<th>Employees¹</th>
<th>Interviews</th>
<th>Location²</th>
</tr>
</thead>
<tbody>
<tr>
<td>John and Jean</td>
<td>Eco-tours and traditional New Zealand farming</td>
<td>1 to 5</td>
<td>2</td>
<td>West Auckland</td>
</tr>
<tr>
<td>Graham and Mary</td>
<td>Marine life ecology</td>
<td>6 to 9</td>
<td>1</td>
<td>Northland</td>
</tr>
<tr>
<td>Tipene</td>
<td>Eco and cultural tours</td>
<td>1 to 5</td>
<td>1</td>
<td>Central NI</td>
</tr>
<tr>
<td>Colin</td>
<td>Adventure park</td>
<td>20 to 49</td>
<td>2</td>
<td>West Auckland</td>
</tr>
<tr>
<td>Bjorn</td>
<td>Marine ecology</td>
<td>&gt; 40</td>
<td>2</td>
<td>Northland</td>
</tr>
<tr>
<td>Kevin</td>
<td>Jet boating</td>
<td>6 to 9</td>
<td>2</td>
<td>Auckland</td>
</tr>
<tr>
<td>Thomas</td>
<td>Surf and ski</td>
<td>1 to 5</td>
<td>1</td>
<td>Central NI</td>
</tr>
<tr>
<td>Craig (*)</td>
<td>Adventure travel organiser</td>
<td>1 to 5</td>
<td>1</td>
<td>Auckland</td>
</tr>
<tr>
<td>Justin</td>
<td>Mountain bike park</td>
<td>20 to 49</td>
<td>2</td>
<td>West Auckland</td>
</tr>
<tr>
<td>Peter</td>
<td>Eco-cruising</td>
<td>(Failed)</td>
<td>1</td>
<td>Waikato</td>
</tr>
<tr>
<td>Stephen and Lorna (*)</td>
<td>Eco-tours</td>
<td>1 to 5</td>
<td>1</td>
<td>Northland</td>
</tr>
<tr>
<td>Jeremy</td>
<td>Motorcycling adventures</td>
<td>1 to 5</td>
<td>1</td>
<td>North Auckland</td>
</tr>
<tr>
<td>Ivan</td>
<td>Coastal scenic trips</td>
<td>(Failed)</td>
<td>1</td>
<td>Northland</td>
</tr>
<tr>
<td>Wayne</td>
<td>Parachuting</td>
<td>1 to 5</td>
<td>1</td>
<td>Southland</td>
</tr>
<tr>
<td>Donovan and Aroha</td>
<td>Eco guided tours</td>
<td>10 to 19</td>
<td>1</td>
<td>Auckland</td>
</tr>
<tr>
<td>Ben</td>
<td>Cycling tours</td>
<td>1 to 5</td>
<td>1</td>
<td>Waikato</td>
</tr>
<tr>
<td>Jimmy (*)</td>
<td>Luxury adventure tours</td>
<td>(Failed)</td>
<td>1</td>
<td>Auckland</td>
</tr>
<tr>
<td>Geoff</td>
<td>Sailing adventures</td>
<td>&gt; 40</td>
<td>2</td>
<td>Auckland</td>
</tr>
<tr>
<td>Henare (*)</td>
<td>Eco-tourism and employment</td>
<td>20 to 49</td>
<td>1</td>
<td>Northland</td>
</tr>
</tbody>
</table>

Note: (*) denotes pilot test cases. Given that there were no changes to the interview questions or the interviewing technique after the pilot test cases, they were included in the main research sample, and the corresponding cases analysed with the rest of the cases.

¹ The employment size bands adopted here follow the Statistics New Zealand’s “employee count size groups” (Statistics New Zealand, 2016).

² The location listed in this table denotes the geographical location of the entrepreneur. In some instances, the business operated at different locations.

All interviews were framed within the pre-determined interview script to ensure standardisation across interviews and to facilitate inter-interview comparisons. Interviewees were asked to describe how they started their tourism ventures, what motivated them to consider launching a tourism venture, their backgrounds before starting the venture, and how they viewed the outcome of their ventures. At times, entrepreneurs were probed for notable events in the process of venture launch. Van de Ven and Engleman (2004) and Chell and
Pittaway (1998) suggest that identifying significant events, perceived as either positive or negative, is an approach that can facilitate understanding of entrepreneurial processes. They argue that significant events within a process allow for answering questions about how and why outcomes occur.

The face-to-face interviews attempted to uncover insights into five broad themes, embedded in the three questions, based on current entrepreneurship literature. Those themes were: (1) their individual background, (2) the origin of or the starting point for the business idea, (3) the structures and process to launch the venture, (4) overall motivation to become entrepreneurs, and (5) how the entrepreneurs viewed performance outcomes when compared to their initial expectations and goals. These themes represent entrepreneurial constructs that do not lend themselves to surveys and questionnaires, but to oral histories as a source of research data (McKenzie, 2007).

Before the interview started, I introduced myself, briefly covered my background, and explained the research project. I spent sufficient time in this part to gain the interviewee’s trust, build rapport, and provide sufficient opportunity for them to ask questions about the purpose of the research and their role in it. I asked the entrepreneurs to read and sign the Consent Form (Ethics approval Ref. 2010/347) and asked for permission to turn on the portable digital recorder. Participants were informed that interviews would be electronically recorded and transcribed, but the information provided would be treated confidentially, and no identifiable reference would be made to the participant or their business. Therefore, pseudonyms are used in place of real names to protect the identities of the participants and their businesses. This mitigates the risk of commercially sensitive information being available to competitors. The list of cases is shown in Table 4.2, including arbitrary pseudonyms for individual participants.

I started the conversation by outlining the three questions I wanted to cover during the session. I allowed a free-flow conversation to evolve, only occasionally asking for examples and illustrations of the points the entrepreneur was making in the topic areas. The pilot study conducted previously with four entrepreneurs gave me confidence that the questions I was focusing on encouraged dialogue with the interviewees. I felt that outlining the questions at the beginning of the interview helped to set out the conversation at the right point to let the particular lived experience be expressed in the individual’s account. I took notes of salient points during the conversation, not only on those that were verbalised, but also on non-verbal
cues such as body language, pauses, and changes in voice pitch. Overall, I engaged in active listening to capture as much meaning as possible.

As the entrepreneurs covered the answers to the questions, they were prompted for examples, anecdotes, and critical events. An understanding of critical events can answer many questions about both the entrepreneurial process and what determines entrepreneurial outcomes (Chell & Pittaway, 1998; Kain, 2004). According to McKenzie (2007), a retrospective account is a vehicle for entrepreneurs to reflect on life events and entrepreneurs are usually eager to tell stories about themselves. Prompting for examples and anecdotes of past events was deemed necessary because examples and anecdotes crystallise sense-making (Allen & Montell, 1981). To my surprise, little prompting and reminder of the three questions I was interested in were required – interviews naturally linked the answers in a holistic story. McKenzie points out that, when researchers seek verbal stories from entrepreneurs, they do not find themselves needing to ask many questions, but incite a live story from the interviewee and just sit back and listen. In all, the audio-recorded interviews, transcribed by a professional transcriptionist, produced 489 pages of transcripts and 24.2 hours of interview data as shown in Table 4.3.

About half of the interviews were conducted at the company’s premises, a quarter at the entrepreneur’s home, which also served as the company’s premises, and the rest at a café, usually at very close proximity to the company’s premises. I complemented the data collected from the interviews with notes on the physical setting, employees with whom I came in contact, and customers waiting to be served – all based on visual observations. Also, I experienced, as a customer, the services offered by about half of the businesses and some of the other interviews included an explanation of the equipment used to provide the services. Immediately after each interview, the recordings were transcribed while I created vignettes and an outline of the interview. When the transcript was completed, I summarised the interviews in a table in which a consolidated statement of the interviewee’s words was recorded against a timescale of two-minute intervals (Hitch & Norris, 1988).
Table 4.3: Interview Data Collected

<table>
<thead>
<tr>
<th>Informant</th>
<th>Case</th>
<th>Pages</th>
<th>Interviews</th>
<th>Minutes</th>
<th>Informants</th>
</tr>
</thead>
<tbody>
<tr>
<td>John and Jean</td>
<td>Eco-tours and traditional New Zealand farming</td>
<td>35</td>
<td>2</td>
<td>121</td>
<td>2</td>
</tr>
<tr>
<td>Graham and Mary</td>
<td>Marine life ecology</td>
<td>23</td>
<td>1</td>
<td>83</td>
<td>2</td>
</tr>
<tr>
<td>Tipene</td>
<td>Eco and cultural tours</td>
<td>26</td>
<td>1</td>
<td>70</td>
<td>1</td>
</tr>
<tr>
<td>Colin</td>
<td>Adventure park</td>
<td>30</td>
<td>2</td>
<td>83</td>
<td>1</td>
</tr>
<tr>
<td>Bjorn</td>
<td>Marine ecology</td>
<td>33</td>
<td>2</td>
<td>91</td>
<td>1</td>
</tr>
<tr>
<td>Kevin</td>
<td>Jet boating</td>
<td>28</td>
<td>2</td>
<td>78</td>
<td>1</td>
</tr>
<tr>
<td>Thomas</td>
<td>Surf and ski</td>
<td>25</td>
<td>1</td>
<td>67</td>
<td>1</td>
</tr>
<tr>
<td>Craig (*)</td>
<td>Adventure travel organiser</td>
<td>21</td>
<td>1</td>
<td>39</td>
<td>1</td>
</tr>
<tr>
<td>Justin</td>
<td>Mountain bike park</td>
<td>33</td>
<td>2</td>
<td>99</td>
<td>1</td>
</tr>
<tr>
<td>Peter</td>
<td>Eco-cruising</td>
<td>22</td>
<td>1</td>
<td>78</td>
<td>1</td>
</tr>
<tr>
<td>Stephen and Lorna (*)</td>
<td>Eco-tours</td>
<td>24</td>
<td>1</td>
<td>64</td>
<td>2</td>
</tr>
<tr>
<td>Jeremy</td>
<td>Motorcycling adventures</td>
<td>20</td>
<td>1</td>
<td>77</td>
<td>1</td>
</tr>
<tr>
<td>Ivan</td>
<td>Coastal scenic trips</td>
<td>23</td>
<td>1</td>
<td>80</td>
<td>1</td>
</tr>
<tr>
<td>Wayne</td>
<td>Parachuting</td>
<td>21</td>
<td>1</td>
<td>76</td>
<td>1</td>
</tr>
<tr>
<td>Donovan and Aroha</td>
<td>Eco guided tours</td>
<td>26</td>
<td>1</td>
<td>70</td>
<td>2</td>
</tr>
<tr>
<td>Ben</td>
<td>Cycling tours</td>
<td>25</td>
<td>1</td>
<td>69</td>
<td>1</td>
</tr>
<tr>
<td>Jimmy (*)</td>
<td>Luxury adventure tours</td>
<td>17</td>
<td>1</td>
<td>47</td>
<td>1</td>
</tr>
<tr>
<td>Geoff</td>
<td>Sailing adventures</td>
<td>31</td>
<td>2</td>
<td>87</td>
<td>1</td>
</tr>
<tr>
<td>Henare (*)</td>
<td>Eco-tourism and employment</td>
<td>26</td>
<td>1</td>
<td>70</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>489</td>
<td>25</td>
<td>24.2 hrs</td>
<td>23</td>
</tr>
</tbody>
</table>

Note: (*) denotes pilot test cases

4.3.3 Secondary data

Secondary data refer to data that have been collected by others, not specifically for the research question at hand (Frankfort-Nachmias & Nachmias, 1996). Fielding (2004) points out that the purposes of secondary data within the context of qualitative research are to perform additional in-depth analysis and achieve an additional analysis of a sub-set of the original data. Heaton (2008) argues that secondary data can assist with applying a new perspective or a new conceptual focus to the primary data.
Secondary data were collected and used at two points during this study. At the beginning of the study, and before the interviews were conducted, secondary data that were obtained included: (1) business demographic information available from public sources, (2) brochures and general advertising material, (3) profiles of entrepreneurs available through social media platforms, especially from LinkedIn™, (4) businesses’ websites, and (5) listings from industry bodies. These data were useful before the interviews to familiarise myself with the businesses and the people behind them, and to gain an appreciation of the historical and contextual characteristics of the businesses and the entrepreneurs. These data were uploaded into NVivo™ in various forms. For example, data sources from the Companies Office had to be transcribed and stored in memo files whereas brochures and marketing collateral material were processed using optical character recognition and later stored in the primary NVivo™ database. Website information was converted into Adobe documents and processed via optical character recognition as well. However, due to the graphic nature of the advertising material, not everything could be stored in NVivo™, hence the use of paper files.

After the interviews, further secondary data were sourced, including: (1) awards and certification information for each business from industry bodies, (2) newspaper and magazine articles portraying the entrepreneurs or businesses, and (3) third-party websites (e.g., tourism aggregators) where the businesses or entrepreneurs were mentioned. During the data analysis and interpretation, further secondary data were obtained from non-traditional sources to add to the analysis, particularly of performance outcomes. These data included: (1) customer reviews and comments posted to Facebook™ and TripAdvisor™, (2) snapshot of the evolution of the business’ websites over time using the Internet WayBack Machine™, and (3) Google Analytics™ data. Overall, secondary data were particularly useful for validation and triangulation purposes. In line with Mauthner, Parry, and Backett-Milburn. (1998), secondary data in this study were not used beyond methodological exploration or to establish generalisability, which is incompatible with an interpretive and reflexive epistemology.

I registered for electronic newsletters and company updates where those were offered. Further secondary data were collected using complex Internet searches to obtain retrospective longitudinal, cross-sectional, and comparative data. Data for the three non-
surviving firms were obtained via the WayBack Machine™ search engine within the Archive.org web service.

The volume of secondary data varied from firm to firm. All firms had professionally developed websites because they tried to reach and appeal to an international customer base. About half of the firms were present at industry conferences, such as Tourism Rendezvous New Zealand (TRENZ), the tourism industry’s annual international show, which I attended in May 2012 and April 2013, and further secondary data were sourced then.

4.3.4 Data analysis

Under critical realism, data analysis involves working with the event or phenomenon under study and re-interpreting it, given the meaning that the subjects allocate to it, through a process of deconstruction and reconstruction. This analytical process is embedded in the concept of retroduction, which resembles abductive reasoning, as Easton (2010) points out when explaining the application of critical realism within the management field. The understanding of the phenomenon or event is followed by an investigation of the structures and processes that underpin the phenomenon or event; critical realists acknowledge that structures and processes are sometimes not directly observable.

Retroduction attempts to address the limitation of inductive and deductive reasoning when it comes to explaining the underlying, unobservable processes that resulted in a phenomenon. An explanation of causation requires consistency and predictability as do both inductive and deductive reasoning (Sayer, 1992). Critical realism adopts the standpoint that there is no unswerving association between patterns and causality, but patterns are only assumed to be a first step toward explaining a causal relationship. In the social sciences, causality is not related to the number of instances that are observed or quantified (Sayer, 2004). Reed (2005) points out that critical realists attempt to identify and reflect on the factors that, if existed, would account for an event or phenomenon. Retroduction starts with the process of sense-making of an event or phenomenon to draw accurate explanations of causal relationships. Reed (2005) points out that this standpoint requires creativity and emerges from the choice of the event rather than the choice of data interpretation method. Retroduction requires a balance between focus on concrete phenomena and abstract explanations of their underlying structures and processes.
Critical realists also explore research questions keeping theory in mind. In this study, theory informed the research framework before undertaking fieldwork. Similarly, research questions were developed with an understanding of associated theory. Fleetwood (2004) argues that theory assists with embarking upon the search for observations methodologically by conceptualising events and phenomena, and with knowledge of both what to look for and what to discard. On the other hand, Eisenhardt (1989) argues that theory should not constrain the interpretation of the data, and data should be allowed to challenge the theory that was used to guide the study. In short, theory can inform and guide investigations, but data provide a foundation for critically comparing empirical finding with theory – a balance between acknowledging existing theories and critiquing them is necessary under critical realism. Critical realism is about generating new understanding, yet grounding theory development in existing knowledge.

The brief introduction above frames the data analysis activities explained in the following sections.

4.3.4.1 Thematic analysis, coding, data preparation

The analysis of the data broadly followed Yin’s (2009, 2011) prescription for retroduction about five phases consisting of compiling, disassembling, reassembling, interpreting, and concluding. This approach is also followed by Miles and Huberman (1994), Eisenhardt (1989), and Sayer (1992). Compiling involves inputting the primary data (i.e., transcribed interviews, in the case of this study) and secondary data into a database. Disassembling comprises breaking down the data into more manageable parts, which may be coded or labelled. Reassembling comprises reorganising the disassembled parts into themes, subthemes, and so on. Interpreting involved using the themes and subthemes to craft tables, charts, and other visual representations. Concluding involves analysing and drawing from the analysis to interpret the data and generate conclusions for the study. The process is not linear, but cyclical in the sense that it requires iterations and a recursive approach by going back and forth among the phases to discover insights and new knowledge (Yin, 2011). Alertness for instances, rival explanations, constant comparisons, and posing questions are all part of the five phases (Yin, 2011). Data analysis leading to potential theory building requires retroduction (Sayer, 1992) or, as Langley (1999) argues, a combination of induction and deduction.
A very preliminary analysis started alongside the data collection process. Before the interviews, I gathered secondary data to familiarise myself with both the entrepreneur and the company. I prepared a sketch of a case vignette highlighting publicly available information that appeared to be relevant to the study. For example, secondary data on the individual entrepreneur included the entrepreneur’s LinkedIn™ profile. I reviewed and looked for significant career events as well as areas of expertise and education. With regard to the ventures, I reviewed comments from customers as posted to TripAdvisor™ and Facebook™ as well as the evolution of the company’s website through the Internet WayBack Machine™. This preliminary analysis was useful for later stages.

Bryman and Burgess (1994) explain the process of coding in preparation for thematic analysis, in which meaning units are identified. It consists of breaking up the transcripts into themes that are labelled. Dividing and classifying raw data into themes or codes is a laborious task. However, the use of information technology simplifies data handling while adding consistency and transparency to the identification of themes. Specifically, NVivo™ offers a wide range of functions spanning the entire data management spectrum, such as renaming codes, creating hierarchies of themes, and writing the researcher’s notes and reminders. The use of packages like NVivo™ adds significant efficiency to the traditional manual process of using coloured pens and underlying text on transcripts as a means of identifying themes visually (Bazeley, 2007).

After conducting the interviews, every case comprised a file incorporating the interview transcripts, the secondary data, the field notes, and the observations. An NVivo™ database was created, and the transcripts were uploaded to Leximancer™. Secondary data were copied from their sources into one document per firm. Primary data were initially uploaded into Leximancer™ for a quick, high-level textual analysis, and to discover any emerging patterns. The results from Leximancer™ informed, on a preliminary basis, codes, and types of coding to organise the data. The categories of codes and the codes themselves were created on a theoretical basis, and additional codes were derived from the inter-case comparison. Overall, some categories of codes and codes themselves were theoretically driven, and others were empirically derived from the initial results from Leximancer™ and further analyses using NVivo™. Additional information, such as my preliminary thoughts and field notes, were also included in NVivo™ as free memos.
Although there are significant benefits of using information technology for qualitative research analysis, software packages offer functions that may jeopardise proper interpretation of the interviewee’s words. For example, NVivo™ offers routines and scripts for programming coding via the automatic identification of key words and phrases. Automatic coding precludes rich analysis, interpretation, and examination of context and setting. Automatic coding has not been used in this study as I have aimed to maintain control over the classification of text into specific meaning units or codes. Bazeley (2007) points out that NVivo™ was developed initially for grounded research, but its functionality was later expanded to incorporate functions for a deductive approach to text analysis. The functions for deductive analysis consist of the facility to create codes from literature-based concepts.

NVivo™ was also used for the step of data reassembling by emerging themes and subthemes. Coding of secondary data was done partially in NVivo™ and partially in handwritten notes as NVivo™ had difficulty in importing certain types of documents. Marketing brochures and other printed media material were scanned into a text file using optical character recognition and incorporated into the respective secondary data document for the firm. Some of the documents could not be digitised using optical character recognition and were not of the same type across the firms. In those instances, I used a variety of tools for manual analysis, such as Word™, Excel™, and MindManager™.

When optical character recognition was possible, documents were uploaded into NVivo™ with sufficient care to prevent contaminating the stories of the individual entrepreneurs in the NVivo™ database by using the “externals” function in NVivo™. However, not every original document could be uploaded. When feasible, the material was transcribed into a document that could be uploaded, but material with substantial graphics was stored in paper files. I found the use of hard copies facilitated my in-depth familiarisation with and immersion into the data, and to help with the process of data reduction. In short, the intention was to make sense of the data by simultaneously embarking myself upon data reduction, display, and generating conclusions, as prescribed by Miles and Hubermann (1994). I reviewed the sketch of the case vignettes I had prepared before the interviews and modified with the additional data from the entrepreneurs’ words, and final case vignettes were written. This illustrates an aspect of the process of reduction that helps to achieve a better understanding of the qualitative data collected, as Creswell (1998) points out.
Through the use of Leximancer™ and NVivo™, patterns started to emerge, which allowed me to group the cases along several 2 x 2 matrices, as shown in the following chapters. Grouping them across matrices for each research question enabled me to compare the cases within their respective matrix cell as well as across matrix cells. Further codes were introduced, and some others were refined for the analysis, as Yin (2008) pointed about the procedure for both within- and across-case analysis. Clustering the cases across the 2 x 2 matrices allowed for comparing and contrasting the accounts of entrepreneurs while preparing the data for further analysis and interpretation. Miles and Hubermann (1994) suggest “clustering” as an approach to sense-making, thus achieving a level of abstraction by describing the commonalities that exist among cases within a cluster. Furthermore, clustering assists in making the underlying mechanisms explicit, whether by viewing a cluster under the light of existing theory or building theory – this is also retroduction in action (Easton, 2010).

Outputs from the main NVivo™ database, the NVivo™ memos, and the standalone secondary data outside NVivo™ were used to organise high-level nodes and view codes in a hierarchical structure that depicted the confluence of data and my interpretation of them. Two types of codes were used: theoretical and emergent. Hsieh and Shannon (2005) and Yin (2003) point out that researchers need to create theory-based codes as an initial step before coding the text. Codes can form a hierarchical structure with sub-codes as well as a network structure with other codes. Also, codes and sub-codes can have attributes, which are used to allocate discrete or numerical variables to the respective code or sub-code. Attributes proved to be useful in this research to compare and contrast entrepreneurs and their firms when sharing a common attribute, for example, firm size and initial funding, or any other within-groups and between-groups analysis.

The theory-based codes used in this research derive from the literature review and are derived from the themes embedded in the broad interview questions. Specifically, the theory-based codes were: (1) the entrepreneur’s demographics and background, (2) the entrepreneurial idea, (3) the decision-making process to launch and grow the firm, (4) attitude towards risk and contingency, (5) firm features, and (6) objective and subjective performance outcomes measures. Several codes and sub-codes emerged from the transcripts. The emergent codes were classified following Miles and Huberman’s (1994) categories for emerging codes: (1) new relationships within a category, (2) new construct or
category emerging from a previously coded text, (3) reconstructing coherent scheme, and (4) new categories. Following an iterative process, codes were revised and some new codes created until a final structure emerged. Working and reworking codes assisted with drawing findings and formulation of conclusion through a process of sense-making (Maxwell, 2004). A summary of the data management and analysis processes in included in Table 4.4.

Table 4.4: Data Management and Analysis Processes

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activities</th>
</tr>
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</table>
| Compile    | • Filing using computerised folders  
• Data filed: case profiles, interview transcripts, notes, observations, field notes, and secondary data and records  
• Preliminary analysis, preliminary case vignettes  
• Input transcripts into Leximancer™ for preliminary emerging themes. |
| Disassemble| • Data are broken down into smaller components to search for preliminary insights.  
• Data coded  
• Codes and sub codes created. A preliminary search for emerging themes and similar concepts were given the same code and grouped.  
• Two types of codes used: codes derived from the interview guide topics on concepts from the theory and codes for empirically derived concepts.  
• Actual recordings referred to during coding were checked to contextualise the transcripts and ensure meaning from subtle remarks were adequately considered. |
| Reassemble data | • Data reassembled based on 2 x 2 matrices for each research question and based on themes and codes. Comparison within-groups and across-groups. Codes and categories revised to assist with patterns and themes identification.  
• Mind maps used to organise data into themes, which allowed understanding of the relationships between themes.  
• Themes related to the literature and research questions. Comparisons made to identify similarities and differences among cases and quadrants. |
| Interpret data | • Theoretical and empirical themes identified in the reassembly process used to interpret the data and draw conclusions.  
• Matrices used to compare and contrast cases and cells. Cases were compared and contrasted to understand similarities and differences. This was repeated for all four quadrants for each of the matrices in each research question.  
• Common themes searched for to generate within-quadrant and across-quadrant findings to produce the theme structure. Case stories, tables, and graphical representations of the findings were produced. |
| Concluding | • Interpretations made and conclusions drawn using retroduction analysis.  
• Causal relationship investigations  
• Recursive and iterative processes that examined similarities and differences among cases.  
• Comparison of possible explanations against alternative ones, interpretations, and literature along with reflection to uncover the underlying mechanisms. |

Adapted from Yin (2011)

Interviewing concluded when code saturation was achieved. Miles and Huberman (1994) define code saturation as the point in time when data sets are allocated to existing codes and,
therefore, no new codes are created. In this study, transcription and preliminary thematic analysis were conducted every fourth interview to determine whether code saturation was being achieved. The sample size was determined once saturation was reached as a sign that a comprehensive set of data were collected.

4.3.5 Validity and reliability of the research

Morse, Barrett, Mayan, Olson, and Spiers (2008) point out that without rigour, research loses its utility. Rigour is attained by placing attention to and emphasis on reliability and validity because these criteria ensure drawing plausible and credible conclusions, which are central to all research.

The specific approach to ensuring validity and reliability was built into this project’s research strategy, which was primarily concerned with making sense of the entrepreneur’s particular construction of reality in a specific context rather than finding causal relationships. Following Geertz (1973), this research focused on interpreting the entrepreneur’s meaning in context and a holistic manner – not on finding out the “truth.” However, reliability and validity had to be established to demonstrate that the findings drawn from this project are independent of the researcher’s paradigm and interpretation while being rationally assembled and presented (Ghauri, 2004). Specifically, this research follows Yin (2011) and Eisenhardt (1989) who point out the three validity criteria (i.e., internal validity, construct validity, and external validity) as well as the reliability criterion that researchers should follow. Those four criteria were assembled into the framework suggested by Gibbert et al. (2008) that was used as the foundation to underpin the rigour of this research.

Reliability in the context of verbal history refers to evidentiary reliability (Lummis, 1988) and interpretive reliability (McKenzie, 2007). Evidentiary reliability refers to the internal consistency, or contradiction-free nature, of the stories whereas interpretative reliability refers to the accuracy of the data collection method and the care with which the data are presented in the research outputs. The relatively large number of cases in this study carried a challenge to achieving trustworthiness. This challenge was addressed by aiming to achieve factual reliability of each case and entrepreneurial story. In this study, the transcripts were checked for internal consistency. Also, triangulating the account with secondary data, like publicly available information and my observations, as prescribed by McKenzie (2007). Secondary data were stored and analysed using NVivo™, where they were organised thematically.
Reliability and validity were ensured at different stages of the study. As Silverman (2006) recommends, the interview script was derived from existing entrepreneurship theory to ensure that both matching data from all subjects were collected and the data collected addressed the research questions. Likewise, as Leith et al. (2010) argue, the research approach selected for this study is justified on an ontological basis, as explained in the previous section on research philosophy. During data collection, the subjects were the very entrepreneurs who were motivated to found a tourism venture and that, through their actions, launched the new business. As the fieldwork was conducted, I ensured that cases involving opposites across sources of opportunities, motivations, and backgrounds populated the sampling frame to allow for multiple accounts. Multiple accounts of a phenomenon is a distinctive feature of critical realism (Healy & Perry, 2000). The manner in which the framework was implemented is summarised in Table 4.5.

4.4 Concluding Remarks

The fieldwork was very inspirational and motivational because it was shaped by the interviewees’ enthusiasm and eagerness to participate. The participants were ready to recount their entrepreneurial journeys, their ambitions, and lifestyle aspirations in a lively manner, including anecdotes to illustrate specific events. In some cases, the participants offered free passes to the researcher to experience the products or activities first hand.

Some participants were prepared to travel to a convenient location to make the researcher’s job more accessible, and some interviewees continued to be in touch, providing additional information and commentary. Overall, they saw this project as an opportunity to highlight the need for the public sector to fund start-up and growing businesses in the industry. They also wanted to inform practitioners of the difficulties in running small operations in an extremely competitive environment. One of the participants shared the frustration with industry bodies and the general unprofessional approach to the formation of industry clusters for inter-firm support. Most participants view this research as a conduit to improve a sector that is of vital importance to New Zealand’s wealth creation process.
<table>
<thead>
<tr>
<th><strong>Criterion</strong> (as per Gibbert et al. (2008))</th>
<th><strong>Implementation</strong></th>
</tr>
</thead>
</table>
| **Internal Validity** (research framework explicitly derived from literature, pattern matching, theory triangulation) | • The research framework is derived from the literature on entrepreneurial approaches to new venture creation and growth, specifically rational and effectual viewpoints.  
• Empirically observed patterns compared to the body of literature on entrepreneurial orientation and behaviour.  
• Theory triangulation achieved by a literature review on determinants of firm performance outcomes. |
| **Construct Validity** (data triangulation of archival data, interview data, participatory observation, direct observation) | • Twenty-three entrepreneurs interviewed representing 19 cases, plus six follow-up interviews.  
• Direct observation of operations, informal conversations with employees, environmental observations and note taking, direct experience of products or activities as a customer  
• Secondary data were collected from publicly available sources.  
• Extensive use of Google Analytics™ as a proxy for company performance outcomes data.  
• The interview protocol was derived from a literature review on entrepreneurial approaches to firm formation and firm performance outcomes.  
• Extensive use of field notes.  
• Feedback from interviewees sought on general observations, quotes from transcripts verified with interviewees.  
• Data management and analysis systematically conducted as per five phases in Table 4.4. |
| **External Validity** (cross case analysis, nested approach, rationale for participant selection, details on case study selection) | • Cross case analysis of 23 entrepreneurs and 19 firms.  
• Maximum variation achieved by selecting firms of different ages and developmental stages, including failed firms.  
• Extensive range of entrepreneurial background and experience to uncover insights into the relationship between entrepreneurial approach, entrepreneurial expertise, and firm performance outcomes.  
• Cases were selected from two industry sub-sectors to capture various lifestyle aspirations and provide insights into personal motivations and objectives. |
| **Reliability** (case study protocol, case study database, firm actual name provided) | • Full transparency throughout the research journey and in this report to provide evidence of how the research was conducted.  
• All data digitised and archived in several software packages. |
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CHAPTER 5: FINDINGS (I) - ENTREPRENEURIAL DECISION MAKING LOGIC

This chapter explores the questions “How do entrepreneurs adopt a decision-making logic to launch new tourism ventures?” and “How does the entrepreneur’s motivation relate to the decision-making logic that is adopted?” The chapter compares and contrasts the various decision-making logics employed by different entrepreneurs that led to launching new ventures. The starting point for the exploration of decision-making logics is the entrepreneur. The approach of starting with the entrepreneur follows Sarasvathy (2008), who addressed the question of what the entrepreneur should do to build better firms, or different types of firms, given who the entrepreneur is or wants to be.

This chapter provides a summary of how the interviewees went about the processes spanning from the decision to become an entrepreneur to acting upon a promising venture. The micro-processes or steps within that process are the building blocks of the overall entrepreneurial decision-making logic. The chapter shows that not every entrepreneur took the same steps and, depending on the specific steps an entrepreneur made, a preferred decision-making logic emerges. Four decision-making logics were observed, each of which was adopted by a cluster of entrepreneurs. Each decision-making logic arises from the aggregation of several micro-processes, which were observed inductively from the interpretation of the interviews. This follows Clark and Blundel (2007), who point out that the study of processes, mechanisms, and structures that underlie a particular phenomenon is a trademark feature of the critical realist paradigm, which is the methodology applied in this study.

5.1 Capturing the Entrepreneur’s Decision-Making Process

The 19 entrepreneurs described in Appendix 1 were required to address an interview protocol consisting of three broad, open-ended questions. The questions reflected the main questions of this research, and they were worded as follows:
1. What was your background before starting the venture?
2. Why did you decide to start the venture?
3. How did the venture evolve and perform over time?

Capturing the entrepreneur’s decision-making logic specifically meant focusing on the answer to the second question. The interviews started by postulating the three semi-structured questions and letting the entrepreneurs tell their stories as they saw fit. A subset
of questions was asked to prompt rich answers when the stories did not seem to address a main question fully. The questions that were asked when the second question was not addressed adequately were:

a. How did you identify an opportunity?
b. What did you do after identifying the opportunity?

Although the entrepreneurs’ narratives were diverse, the analysis of the transcripts revealed the emergence of four overriding themes of the decision-making logic phenomenon. Those were: (1) why the individual decided to become an entrepreneur, (2) what opportunity the individual would pursue, (3) why the individual would pursue the identified opportunity, and (4) what the individual did once he or she decided to pursue the opportunity. These four themes align with the established decision-making boundaries, as covered in section 1.2. The first theme shows that decision-making responds to the notion of preferential choice, as established by Hastie (2001). Hastie (2001) refers to decision-making as how people combine desires and beliefs in the process of choosing a course of action. The second and third themes refer to the entrepreneur’s mode of thinking (as defined by Mintzberg & Estley, 2001) about either systematic, or intuitive, or improvisional way of thinking in the process of opportunity selection. This aspect of entrepreneurial decision-making also reflects the constructs of risk and uncertainty (Knight, 1921), which depend on the predictability of the future given a specific opportunity. Finally, the fourth theme refers to the notion of preferential action (Hastie, 2001).

In interpreting the entrepreneurs’ experiences, it became apparent that the process of seeking the answer to the questions “what opportunity would the individual pursue” and “why to pursue it” was conducted in a cyclical manner, which may suggest that the line dividing both themes was artificial. However, further analysis of the transcripts revealed that entrepreneurs performed a preliminary mental and intuitive evaluation of the opportunity and decided to either include or exclude it for further assessment. This preliminary assessment process (i.e., why to pursue a specific opportunity) has been classified as part of addressing the question of “what opportunity to pursue.” Addressing the “why pursue it” question is considered to emerge after the entrepreneur assumes at face value that a particular opportunity is worthy of a detailed assessment. From this standpoint, there is a time scale associated with the four themes. Although the themes overlap, they do not appear concurrently. The themes centred fundamentally on the concept of opportunity. As Short,
Ketchen, Shook, et al. (2010) point out, the opportunity is the fundamental starting point for entrepreneurship because there is no entrepreneurship without an opportunity.

The following sections discuss the components of the decision-making logic the entrepreneurs employed from the point when they considered moving to an entrepreneurial career to acting upon opportunities.

5.2 Why Did the Individual Decide to Become an Entrepreneur?

Following the review of the literature on motivation (included in Chapter 2), the analysis of the interview transcripts reveals, unsurprisingly, that the entrepreneurs were motivated by a range of factors, both intrinsic and extrinsic, and both financial and nonfinancial. About half of the entrepreneurs were driven by extrinsic rewards and the rest by intrinsic rewards, as shown in Table 5.1. Each sub-theme will be reviewed in the following sections.

Table 5.1: Sub-Themes within “Why should I become an entrepreneur?”

<table>
<thead>
<tr>
<th>Sub-Themes within “Why should I become an entrepreneur?”</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides a platform for becoming independent</td>
<td>John and Jean, Graham and Mary, Tipene, Kevin, Thomas, Craig, Peter, Stephen, Wayne, Jimmy</td>
</tr>
<tr>
<td>Wealth creation and growth was an important consideration</td>
<td>Colin, Bjorn, Justin, Jeremy, Ivan, Donovan, Ben, Geoff, Henare</td>
</tr>
</tbody>
</table>

The interpretation of the interview transcripts points to a particular meaning of the construct of motivation in line with that by Kuratko, Hornsby, and Naffziger (1997), who mention that motivation refers to the reason to become an entrepreneur. They make it synonymous with the goal of the venture as defined by the owner. Examining the entrepreneurs’ reasons for moving to an entrepreneurial career is important because, as Bhide (1994) and Westhead and Wright (1998) highlight, the entrepreneur’s personal goals determine, inter alia, the target size of the venture, the process of opportunity identification, and the breadth of opportunities to be considered. Also, models of venture creation that do not include motivation are likely to be considered incomplete because several studies (e.g., Baum & Locke, 2004; Baum et al., 2001; Markman et al., 2005) have found a positive relationship between motivation and venture performance outcomes.

5.2.1 The opportunity provides a platform for becoming independent

Over half of the entrepreneurs expressed a strong desire for independence and a strong aversion to corporate employment. For these ten entrepreneurs, corporate employment
meant working in a salaried position and having to respond to managerial directions. A variety of reasons were identified for rejecting salaried employment, including the overall sense of restriction imposed by organised work life.

I wouldn’t be able to work for someone else six days a week or something, sit in the office all day and doing the work. Realised that I’m not going to be able to do it. (Graham)

Every entrepreneur who expressed a desire for independence was already self-employed either in a trade-related activity or as an owner-operator of a retail outlet. However, they all expressed the desire to do something different that could provide an alternative source of income. Seeking an entrepreneurial career was not led by the need to solve a life or employment crisis, but when they seriously considered a career change this anticipated career change had to provide a platform for independence.

I wanted to stamp my own mark on it I guess, do my own thing, create something for myself, as opposed to, you know, a franchise that was already created. As it turned out a franchise might have been a smarter idea, less work (laughter). (Jimmy)

For these entrepreneurs, the journey of finding a platform for entrepreneurship was prompted by the confluence of working in something they felt excited about, the lack of desire to engage with a company as a source of employment, and the need to make a living. The desire for independence motivated the entrepreneur to engage in the process of finding a business idea, provided the idea was associated with a broad area they felt passionate about.

As two entrepreneurs put it:

It was a good business, but it needed to be lifted to the next level. I didn’t want to do that; I wanted to do something else. (Kevin)

And it was sort of I wasn’t happy with what I was doing, where I was working and yeah I just thought it was a good idea to give it a go. So I went and registered the business before having a business. (Thomas)

Two entrepreneurs with a farming background embarked on the process of finding a business idea as a result of a downturn in macro-economic conditions for agriculture. They enjoyed the independence of working the land, but as they could not make a living from farming, they decided to look for opportunities that could still provide independence. As they put it:

I decided I didn’t want to be a sharemilker for the rest of my life because I couldn’t see myself ever purchasing the farm really, but I wanted to do something in the area of boating for myself. (Peter)

So one year we had just had this house finished renovating and we had a big family dinner here and we said, you know, we’re not going to make ends meet, but still going to have our sheep farm. We’ve got this sheep farm, which is just not bringing in any money. (John and Jean)
Entrepreneurs seeking independence had some experience in running owner-manager operations and being prepared to make a transition in their careers. With the assistance of secondary data, some of the life stories told by the entrepreneurs were enhanced and corroborated. For example, two UK-based sport websites retold the story of Wayne’s career as a prominent sportsperson, and his decision to retire from professional sports to pursue an independent career. In the case of John and Jean and Graham and Mary, the transition to tourism attraction operators was covered in the local newspapers, copies of which are still available at the local community library in Auckland’s West Coast and Northland, respectively. Background information of Tipene was available from his old LinkedIn™ profile, and personal information about Jimmy, Thomas, Craig, and Peter was available on Facebook™.

No entrepreneur indicated that the perception of risk curtailed their desire for independence, even when the entrepreneurs did not have prior knowledge of the dynamics of travel and tourism. They were committed and confident that they could make a successful transition to a new career. For these entrepreneurs, independence also meant that the venture should provide a source of income equivalent to the income from their previous employment. Ventures started by this type of entrepreneur, who have lifestyle motivations and limited growth aspirations, are the vehicles for the entrepreneurs to provide a source of income and a job. These ventures have been described as an avenue for satisficing rather than for maximising income (McMahon, 2001; Runyan et al., 2008). Usually, these entrepreneurs are emotionally attached to the business. As they put it:

We’ve got this sheep farm, which is just not bringing in any money, so we need to find another use for it and another source of income for our livelihood. (John and Jean)

I was looking after my brother’s business while he was overseas so when he came back, he wanted to go back into his business, so we thought, well shivers, what do we do now without an income? (Graham and Mary)

Runyan et al. (2008) label the outlook of this type of entrepreneurs as “small business orientation,” which describes a motivation to generate a family income without any further aspiration for growth. As research points out, some of these types of businesses are part-time endeavours in the formation phase. The words of Thomas illustrate this notion:

And then me and my friend we were at the business every weekend and we giving it a go on the side, and I was still building, but then the business got too busy. So the business took over, and then it got to the stage where I needed to be there full time.
No entrepreneur in this group mentioned the desire to start a venture as a means to enjoy more free time by not holding a traditional full-time job, or being a stepping stone for early retirement, or leaving something for the next generation. John and Jean described this particular behaviour as a general reflection of New Zealand business owners:

The average businessman, if he builds a business up and is getting a hundred thousand a year and he’s bought his bach and his boat, he’s not interested in anything more than his lifestyle.

In the case of Graham and Mary, what started as a lifestyle business ended with high demands being placed on them:

We’re starting it as more of a lifestyle thing because we are kind of free and we can still make the money and still be free, but as the business has grown now, it’s got to where it’s becoming a bit of a burden because it’s being very demanding on us.

The ten entrepreneurs who were motivated to achieve an independent lifestyle also expressed a motivation to achieve this lifestyle by working in the outdoors. The desire to work in a particular setting has received attention by environmental psychologists, who define the construct of “place identity” as the relationship between a particular place and the person (Lalli, 1992). During the interview process and the subsequent review of the transcripts, it became apparent that, for these eleven entrepreneurs (the independent ten plus Ivan), the outdoors had become a fundamental dimension of their interpretation of self, as these entrepreneurs put it:

Well the sea factor, because being I had been basically bought up on the sea from when I was about 16. So I wanted two things, the self-employed part and I wanted to be close to the water or on the water. I think that was the main thing. (Graham and Mary)

And I wanted to do something else a little bit bigger. I’ve got a passion for the outdoors and wanted to expand on that and create, you know, a business venture. (Jimmy)

5.2.2 Wealth creation and growth an important consideration

Nine entrepreneurs indicated that a critical consideration in becoming an entrepreneur was that the venture should lead to a meaningful financial reward. This is a reflection of the neoclassical theory of the firm in action, which states that the main objective of a commercial venture is to maximise the return on invested capital by creating an output with more economic value than that of the resources consumed. Those entrepreneurs were Bjorn, Geoff, Donovan, Colin, Justin, Ben, Jeremy, Ivan, and Henare.

The entrepreneurs who focused on starting a venture that might lead to wealth creation offered an additional consideration unrelated to independence. These entrepreneurs focused on looking for business ideas that a priori, might lead to a financial return beyond just
drawing a salary from the venture. Exit strategies were considered early in the process. The following quotes illustrate this:

The idea always was that we’d run a business for ten years and sell it. So we knew it has to be a certain size with a certain turnover and a certain profit to get the money we want, basically to retire, so that goal has always been even before we started, we were going to sell the business. (Jeremy)

We wanted to set ourselves up for an IPO or something like that. (Geoff)

The commercial objectives of these entrepreneurs were articulated in various ways, such as objectives involving specific financial goals and non-quantifiable financial targets that would allow the entrepreneur to achieve financial independence. These various approaches are articulated in the following quotes:

I wanted to achieve specific financial targets, but through the initial years the actuals were a little lower than I had wanted and forecast. (Colin)

We could say okay, we’re gonna keep going until we have enough money and then we say okay, we now we step back and do what we choose to do. (Donovan)

One entrepreneur was actively seeking business ideas that would provide sufficient financial returns to grow the business and provide employment opportunities for other people in the region. The financial motivation was, therefore, a platform for wealth creation within the community rather than for himself. His desire for financial returns was associated with his passion for working in a culture-related area that could provide a platform for distributing these financial returns in the form of jobs for the unemployed Maori in Northland.

So the mission became, well, the idea of sinking the battleship was to provide jobs for the local community where they can do dive tours and have dive fill tanks and service the diving things. It’s about jobs, yeah, employment creation – that’s what it was about. (Henare)

Henare was interested in acting as a role model within the Maori community in Northland, not only by expanding Maori cultural tourism but, importantly, by providing a source of employment for that region. Stone (2012) observed community-related motivations (like Henare’s) in his study of African-American entrepreneurs. Such motivations were labelled as altruistic and accounted for some 15% of entrepreneurs’ objectives. Those entrepreneurs felt the need to provide job opportunities for others that would otherwise not be available. As Henare put it:

It was more of a social type of goal as opposed to financial goal. It’s about jobs, yeah, employment creation, that’s what it was about.
Given the rather prominent profile of the business that Bjorg, Goeff, Donovan, and Henare started, their background stories were portrayed in several local newspapers and tourism websites. The stories about why they started an entrepreneurial career and how they started it corroborated the information shared during the interviews. All of the entrepreneurs in this category had active and recently updated LinkedIn™ profiles, possibly as a result of being previously active in corporate life.

5.3 What Opportunity Should I Pursue?

The entrepreneurs’ experiences within the theme of “What opportunity should I pursue?” were grouped into sub-themes to describe this phenomenon. Within the sub-themes, two specific dimensions were observed: (1) experiences intrinsic to the entrepreneur, including the desired area or product to work with and ability, and (2) experiences extrinsic to the entrepreneur, such as a product or activity was seen overseas. Specifically, the four experiential sub-themes and the corresponding entrepreneurs are shown in Table 5.2. The four sub-themes are each examined in the following sub-sections.

<table>
<thead>
<tr>
<th>Sub-Themes</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meets an environmental, social, or cultural passion</td>
<td>John and Jean, Graham and Mary, Tipene, Bjorn, Stephen, Donovan, Geoff, Henare</td>
</tr>
<tr>
<td>Relates to a specific product the entrepreneur knew</td>
<td>Colin, Kevin, Thomas, Craig, Justin, Peter, Jeremy, Ivan, Wayne, Ben, Jimmy</td>
</tr>
<tr>
<td>Saw business overseas but not locally</td>
<td>Colin, Kevin, Thomas, Craig, Jeremy, Ben, Jimmy</td>
</tr>
<tr>
<td>Market scanned for opportunities</td>
<td>Kevin, Thomas, Peter, Jeremy, Ivan, Ben, Jimmy</td>
</tr>
</tbody>
</table>

5.3.1 The opportunity meets an environmental, social, or cultural passion

Out of the 19 cases outlined in the previous chapter, eight involved a process of ideation that had an environmental, social, or cultural content about which they felt passionate. Hence, the type of opportunity was constrained by a specific passion that reflected who they were. The ideation process for a specific opportunity did not include a suggested product or activity, but either (1) a mental sketch of a purpose or the setting in which a product or activity might be launched or (2) a broad aspiration that the entrepreneurs wanted to achieve. Donovan, Henare, Bjorn, and Geoff followed the path of focusing on a setting and purpose,
whereas John and Jean, Tipene, Graham and Mary, and Stephen followed the path of broad personal aspiration. The difference between entrepreneurs who followed each path was that, in the former, the potential future venture was viewed as the conduit for the entrepreneur to achieve a particular environmental, social, or cultural purpose, whereas the latter was the path for the entrepreneur to be actively and personally contributing to the achievement of the aspiration. A hands-off or hands-on attitude, respectively, distinguished both groups.

How entrepreneurs considered a large setting without a specific product or activity is illustrated by the way that Geoff considered launching a service to overcome the seasonality of the eco-cruising attraction in New Zealand. He thought of a boating-related service in Australia and the Pacific Islands, but he did not explicitly envisage what the attraction might be. In Geoff’s words:

> When you’re sitting on a lot of capital, sitting under cover all winter, it’s painful, so we made a decision what we wanted to do with the new ventures is work out a way of smoothing out that seasonality. So, by and large we bought boats which we could move offshore to, say, the Pacific Islands or to Australia and can actually work two different markets.

In Bjorn’s case, the process of identifying a business idea was experienced over a period of one year and after conducting a series of actions as well as leveraging his network of contacts. The starting point for his venture was experienced when he became aware that an old battleship was being decommissioned. He immediately set in motion the actions that culminated in its acquisition, but he did so without a clear goal or objective as to what this resource could be used for. The starting point for the venture was a vague understanding that the acquired ship represented a resource or means to build a venture, but the ship could be used for several purposes. Given his passion for environmental protection, he thought that the battleship could be sunk and used as a platform for some ecological purpose. Subsequent ventures were based on both the desire to continue working on environmental issues in the Northland Region and the tacit experience and knowledge of the travel and tourism sector he built over the previous years. This is illustrated by Bjorn’s words:

> I’ve been in this business now for, what is it now, 12, 13 years and have got a really good feel for where it all goes in this area. You pull out figures, your turnover and the amount of people that come here, and you find there’s some very strong patterns and you’re working with that.

For Geoff, the America’s Cup was the opportunity that was presented to him. The venture had, from its beginning, a limited lifespan determined by the duration of the America’s Cup regatta, so it could not be regarded as a venture, but as a temporary contract for services.
Geoff’s first venture emerged once the contract was completed; the boat he had acquired and the financial resources from operating the boat became the means that could be used for a range of purposes. The starting point for the venture was a combination of a broad environmental-related aspiration and a range of resources at his disposal that could be employed in a range of different ways. Later, he singled out whale and dolphin watching activities.

Business ideas that involved a range of potential uses of the resources at hand gave the entrepreneur freedom to operate, rather than being constrained by a specific objective in mind. This is illustrated by Stephen’s words:

And you look at 99 things, you try, tick, tick, tick, you put a bit of passion in it and nah it won’t work, and you go somewhere else. But you have that freedom to be able to do that.

Some entrepreneurs focused on opportunities with a social content. The words of Henare illustrate this sub-theme:

So the mission became, well, the idea of the sunken ship was to provide jobs for the local community. It’s about jobs, yeah, employment creation, that’s what it was about.

Other entrepreneurs viewed a business idea within a cultural content as expressed by Donovan:

Maori tours was what I wanted. I don’t think it had ever been done before as a guided tour. Maori tours obviously with my wife’s background, I mean, where that came from as we started doing Maori experiences and marae experiences, we were already doing Auckland tours so obviously it’s not far-fetched to then say, okay, let’s do an Auckland Maori tour where she guides, or another Maori person guides.

Secondary data, specifically the government-sponsored 100% New Zealand (www.newzealand.com), New Zealand Tourism Guide (www.tourism.net.nz), and Sustainable Travel & Ecotourism (www.frommers.com) list the eight businesses founded by these entrepreneurs within the category of adventure, environmental, ecological, or cultural travel in New Zealand.

5.3.2 The opportunity relates to a specific product or activity they knew

Out of the 19 cases presented in the previous chapter, 11 referred to entrepreneurs who wanted to work with a specific product or activity they knew. This included products that reflected the entrepreneur’s hobby, pastime, or after-hours activity and with which most found an affinity. Except for Wayne, who had previously been involved with parachuting as part of his service with the US Army, none of the entrepreneurs were employed in a position that related to the product. Instead, the knowledge built on the product was the
result of a private, non-commercial endeavour. It should be highlighted that, during the experience of ideation, the final product or activity offering was unknown. Instead, entrepreneurs focused on an opportunity that would leverage previous knowledge gained during their own leisure time. The following quotes illustrate this recurrent sub-theme:

I grew up in Christchurch as a racing cyclist. So I’ve always been passionate about cycling as a sport. (Ben)

I’ve got a passion for mountain biking and wanted to expand on that and create, you know, a business venture. And an opportunity that had a future, or a bigger future, and something I was sort of passionate about. (Jimmy)

So yeah I’ve always surfed, so I’ve always had an interest in surfing, and basically, yeah, just one day I was actually in with a friend at the Companies Office and she was registering a business and I just jumped on-line and I typed in [company name] and it came up, of course, and it was available. Yeah, and I just thought that got me excited. (Thomas)

As a knowledge-related construct, entrepreneurship is about leveraging knowledge gained through previous endeavours. In some instances, practicing an activity with a group of friends gave the entrepreneurs further information they used to narrow down opportunities and start shaping the final product. From this standpoint, entrepreneurs leveraged not only the knowledge of a product or activity but also the knowledge of the typical customer of the product or activity that they would ultimately launch. The following quotes illustrate this:

So I thought why don’t I set up an adventure tourism company to engage people I know overseas, encourage them to come down to New Zealand and I will put everything together for them. So that’s how the idea started. (Craig)

I always wanted to do something in cycling. So what I wanted to do was I’ve always thought, I wonder if there was a market for doing something up market. And as I kept talking to cycling friends in Europe the answer was increasingly yes. (Justin)

Secondary data obtained from LinkedIn™ and Facebook™ profiles, as well as several posts in activity-focused blogs and fora, corroborate the fact that these entrepreneurs had specific, hands-on experience in the businesses they considered. In all cases, the activities were listed as either hobbies or personal activities unrelated to paid work.

5.3.3 The opportunity was seen overseas but not locally

Seven entrepreneurs recognised opportunities when they serendipitously identified products and activities that had been launched overseas.

Anyway about four years ago I was up in St. Moritz and there were three lots of cycle tourists staying in the best St. Moritz hotel, you know, it was 1,100 Euro a night per room and I thought my God there’s a market. So that really started the catalyst. (Ben)
The process of ideation for these entrepreneurs combined a situation in which the entrepreneurs were looking for an idea, but the path of recognition was unanticipated. Although the route for the business idea was unplanned, entrepreneurs used prior knowledge of the product or activity with which they wanted to work.

And I thought could I do that in New Zealand. So I mean that is all kind of adventure tourism in itself. I’m a very good people person. My people skills are really good; I could put together New Zealand itineraries, Australian itineraries, and South Pacific itineraries and guide wherever people need me to guide as well. (Craig)

The literature captures the notion of prior knowledge during the process of ideation by the construct of “sagacity,” that is, a prepared mind. Such knowledge influenced the recognition of opportunities overseas. The entrepreneurs conceptualised what they found as something non-existent in New Zealand and as something they were capable of doing. Business ideas for these entrepreneurs had both exogenous and endogenous elements. That is, they incorporated the external environment (i.e., the outside-in approach) as well as their background and expertise (i.e., the inside-out approach).

And I was actually a snowboard instructor at the time so I’ve got a background in instructing and I thought that New Zealand was the next best place in the world to launch one of these forest adventure parks because this concept itself had become increasingly popular in France and throughout Europe through the late 90s and early 2000s. (Colin)

In recognising opportunities overseas, entrepreneurs relied on the knowledge of products or activities they had gained, and were open to the serendipitous discovery of opportunities and acting on chance events. To some extent, imagination and knowledge were crucial in recognising opportunities. When asked about what specific overseas businesses they tried to imitate or translate from other countries to New Zealand, every entrepreneur mentioned at least one business by name. For example, Kevin mentioned Sydney’s Darling Harbour jet boating business, Jeremy mentioned two motorcycling tour businesses (one South African, one European), and Craig referred to the businesses he saw in Europe and Canada that aimed to organise adventure tours. The websites of those overseas businesses were reviewed and incorporated as secondary data.

5.3.4 The market was scanned for opportunities
Seven entrepreneurs engaged in a purposeful task of ideation. Most entrepreneurs did not describe the market-scanning task as a systematic or methodological process, but as a generalised state of alertness to intuition and careful observation, which was spontaneous and unplanned. Market scanning was restricted to opportunities that might fall within their area of passion or include a type of product they wanted to work with. Ideation was framed
within and limited by the entrepreneur’s motivation. This quote from Kevin illustrates the state of alertness and observation:

So we sat at a place like this and looked out on the water and this jet boat, they had about four different jet boats. They’d pull in, fill up with people, and take off. I said look at that company there, it’s just turned over, in the last two hours, about 10 or 12 grand!

This set of entrepreneurs recognised opportunities for discovering or happening to find a product or activity that they considered to be worth pursuing. By that stage, they had thought of the possibility of starting a venture, so their interest in venturing into entrepreneurship motivated them to undertake the task of discovering opportunities.

I was researching basically. Had to set up a business coz I’m very passionate about research, can’t do enough, so probably spent a good, must have been three years, just researching, mystery shopping, going on tours with other companies to see what they did. (Jeremy)

I had always looked around and I had never seen anything like it. I spent a long time looking for, but nobody was teaching anybody how to surf well. Give them a good Kiwi experience and teach them how to surf. That’s how I started. (Thomas)

I finally saw there was a niche coming, which was more professional people with some money who wanted to have a really active holiday, but as much a holiday as an activity. (Ben)

No entrepreneur considered the managerial or business capabilities that they possessed or did not possess, to run an entrepreneurial venture as a basis of ideation, other than the knowledge of a particular product or activity. For these entrepreneurs, a self-perceived lack of entrepreneurial skills was not a limiting consideration for recognising opportunities. During market scanning, the overriding consideration was finding an opportunity that related to their product or activity knowledge, rather than business or market knowledge, and whether that knowledge could be leveraged in a commercial environment to exploit the opportunity.

Not knowing anything about the industry, or business, I was, you know sort of taking a stab really, as you do. But my idea was a good starting point anyway. (Tony)

Two entrepreneurs sought to acquire macro-economic data, which strongly influenced the opportunities they recognised. Bjorn used specific data on exchange rates, overseas visitor numbers, and the state of the economies of markets he decided to target. Ben looked at social trends, which were later used to profile customer segments and as input into marketing models.
5.4 Why Should I Pursue the Opportunity?

Ideation was intertwined with assessing ideas, although there was a time lapse between the two processes for some entrepreneurs who initially drew up a short-list of possible opportunities. Addressing the question why the entrepreneur should pursue the opportunity included the evaluation of how and whether the opportunities could be acted upon and whether it was desirable to exploit them. Acting upon opportunities meant whether the recognised opportunity met the criteria of (1) feasibility, from the perspective of the entrepreneur’s capabilities and knowledge, and (2) suitability, from the perspective of markets and competition. Consequently, answering the question why the entrepreneur should pursue a specific opportunity was both an endogenous and an exogenous phenomenon.

Most opportunities recognised initially could not be exploited immediately. This is because the entrepreneurs lacked complete information on product or activity features, customer demand, and entrepreneurial capabilities needed. Entrepreneurs who were focused on working within a setting or an area of passion often lacked a complete concept of the product or activity features to develop something that would meet a customer need. Entrepreneurs who recognised opportunities for a specific product of interest lacked information on the capabilities needed to develop them. Most lacked the detailed knowledge of the travel and tourism sector to assess the exploitability of an opportunity quickly. The experiences of entrepreneurs while assessing opportunities were consolidated into six sub-themes. Specifically, the sub-themes that emerged from specific entrepreneurs are listed in Table 5.3 and discussed in the following sub-sections.
Table 5.3: Sub-Themes within “Why should I pursue the opportunity?”

<table>
<thead>
<tr>
<th>Sub-Themes</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewed potential competition and other market data</td>
<td>Kevin, Thomas, Jeremy, Ivan, Ben, Jimmy</td>
</tr>
<tr>
<td>Resources required within reach</td>
<td>John and Jean, Graham and Mary, Tipene, Colin, Bjorn, Kevin, Thomas, Craig, Justin, Peter, Stephen, Jeremy, Ivan, Wayne, Donovan, Ben, Jimmy, Geoff</td>
</tr>
<tr>
<td>Intuitive evaluation</td>
<td>John and Jean, Graham and Mary, Tipene, Bjorn, Stephen, Donovan, Geoff, Henare</td>
</tr>
<tr>
<td>Risk an important consideration</td>
<td>Colin, Kevin, Thomas, Justin, Peter, Jeremy, Ivan, Wayne, Ben, Jimmy</td>
</tr>
<tr>
<td>Resource leverage among businesses</td>
<td>Bjorn, Donovan, Geoff, Henare</td>
</tr>
<tr>
<td>Self-confidence</td>
<td>John and Jean, Tipene, Colin, Bjorn, Thomas, Justin, Stephen, Jeremy, Ivan, Donovan, Ben, Geoff, Henare</td>
</tr>
</tbody>
</table>

5.4.1 Review potential competition and other market data

Six entrepreneurs engaged in competitor information search within the specific markets in which they might launch the venture. Two, in particular, took the steps of reviewing competitors and becoming customers themselves of potential future opposition.

We saw the motorcycle tourism industry here. There was a lot of old bikes, very poor customer service, the tours were not great and seemed to suit the operators rather than clients. (Jeremy)

So coming from the business world, management consulting and marketing, I sort of knew of the importance of competitor analysis. So I guess given my background in marketing and all that, I couldn’t go ahead before doing my homework. (Ben)

There were two broad approaches to the identification of competitors. One group viewed the competition as other companies providing a similar product or activity to that which the entrepreneurs had identified. A second group looked at competition more broadly, focusing on what they perceived to be the primary motivation or need for customer purchase, and then identifying companies that would target similar needs. The latter group thought of competitive products or activities as the solution to a customer problem and sought to obtain publicly available information from various tourism organisations. Kevin illustrates this approach:
And we’ve obviously looked at different jet boat companies to see what worked and see what looked good, and we tried Shotover and the Kawerau Jets and the Hooker Jet. But then I realised that people came nicely dressed and they came back and they were all wet and their hair’s sticking out everywhere so I thought to myself “these people are not coming to do a jet boat ride, they just wanted the thrill of the adventure” so that changed the focus of who my competition was going to be. (Kevin)

5.4.2 Resources required within reach
Eighteen entrepreneurs mentioned that assessing the opportunity incorporated considerations around the ability to either control or access the resources needed to launch a venture. Three entrepreneurs who had previously worked in large companies expressed the confidence that a thorough business planning effort could provide the platform for appropriate and accurate identification of the inputs required for the venture. Some entrepreneurs sought the advice of accountants to review their preliminary assessment.

The accountant helped and also my dad is a, has been a, maths teacher. He came up from Sweden and he sat at the table with us too and did a lot of calculations. (Graham and Mary)

But it was based on the opportunity that we perceived. And we got a little bit of advice from the accountant that Craig had on what we would need and how to put all of the bits and pieces together to start. (Justin)

Actually went to a whole range of friends of mine who are accountants, CEOs, those kinds of things. Had them read my assessment because those kind of people are aware of what’s needed to run a business. (Ben)

5.4.3 Intuitive evaluation
Eight entrepreneurs referred to an intuitive evaluation of the recognised opportunities. Specifically, these entrepreneurs did not conduct any form of market research or seek to avail themselves of market data that would allow them to apply a systematic assessment of the opportunity. Novice entrepreneurs were focused on assessing whether the recognised opportunity would allow them to meet their aspirations, and the assessment was made by personal intuition.

The question is that we haven’t really researched it as well as we could but anyway that’s going to be changed in the next business launch. So basically that’s when it all started. (Tipene)

The entrepreneurs who applied heuristics for assessing opportunities coincided with the entrepreneurs who recognised business ideas that met a social, environmental, or cultural passion. In these cases, assessing the opportunity overlapped with ideation, as explained in section 5.1. Partly, this is so because these entrepreneurs did not have a thoroughly crafted product or activity, but only a mental sketch or broad idea of what the product or activity
might be. The starting point for addressing the question of why the entrepreneur should pursue the opportunity was a range of resources at the entrepreneur’s disposal that could be employed in a range of different ways. This approach gave the entrepreneur freedom to operate and choose among viable options, rather than being constrained by a specific objective in mind. Assessing a specific opportunity was described in qualitative terms as captured in the following quotes:

And then it was started, that everybody was talking about environmentally conscious things. So it was just casual talking and brainstorming and we come up with, well why don’t we do these little tours? And then should we operate locally or go to Coromandel? So we started thinking of which option we might do carbon offset and something like that. (John and Jean)

So I thought if I bought that thing, figuring if I was a loser at this game it would be easy for me to sell a hundred thousand dollar nice looking car like that, than a big bus. And from there I thought about numerous other cars, limousine cars, and nice SUVs, great big huge, until the one I decided, the one I’m now sitting in, my Mercedes. (Tipene)

5.4.4 Risk an important consideration

Ten entrepreneurs considered risk was an important consideration during the assessment of opportunities. They could not know with certainty whether the opportunity was viable from the perspective of finding sufficient demand for the product or activity they were assessing. Some entrepreneurs used a set of desktop tools to develop what-if scenarios and assess whether the entrepreneurial risk of starting the venture would be compensated for by a premium on returns. In every case, risk was perceived as the chance of losing the financial investment in the venture, as Ivan put it:

Because I wanted to do it myself and I wanted to be able to afford it all myself so I could do it within my own, so I wasn’t putting everything else at risk. I didn’t want to go and put my house up against a boat.

Some entrepreneurs were sanguine when reflecting on risk. They were prepared to run what they perceived as a calculated risk. These entrepreneurs were the same entrepreneurs who were motivated to work with a specific product they knew rather than within a setting or towards an aspiration. Also, entrepreneurs who had previously been employed in large companies and had managed to accumulate wealth felt the transition to entrepreneurship emotionally easier. Risk tolerance was captured in the following quotes:

Speaking with my wife, who’s also got a good job, we figured why not give it a go and if it fails, who cares. (Ben)

We sort of got ourselves to a position where we didn’t have the mortgage, we were quite happy where we were financially and as I say we kind of looked at it and said, well
nothing ventured, nothing gained. And also there isn’t really a huge downside to it. (Jeremy)

Both Henare and Bjorn reflected on risk and age. They stressed the increasing relevance of risk when making decisions as they grew older, and how both adopted a more conservative and risk avoidance attitude than in the past. Likewise, both entrepreneurs mentioned that exercising an increasing level of control over resources and other aspects of the venture was a pathway to risk avoidance.

5.4.5 Resource leverage among businesses
A common sub-theme in the narrative of four entrepreneurs was that the recognised opportunities should allow for leveraging products or activities in which they were already working. Leverage included several resources, including knowledge of the travel and tourism sector, experience with specific products or activities, and a broad network of contacts to mitigate risk and raise the necessary capital. Leverage also included considering business ideas or opportunities that could complement existing product or activities in the pursuit of a more extensive offering for customers. These quotes capture the notion of leverage:

I’m looking at the land at the back here. I’m looking at putting in a building there for accommodation, but also widening it out a little bit with the product I think we got. (Bjorn)

I’m trying to get accommodation over here. The reason why I’m trying to get accommodation is so I can provide a totally controlled experience for people. So yeah I do think we have some great opportunities over there in putting it together and that will help the business grow, it will keep on growing. (Geoff)

And there’s a whole range of products, but, so we set up a shop for them and we trained 13 at the moment. Only one girl has picked it up and made it into a full-time career, so we established a retail shop. (Henare)

5.4.6 Self-confidence
Thirteen entrepreneurs expressed a sense of optimism and self-confidence in the assessment of opportunities. Self-confidence was expressed by both serial entrepreneurs and entrepreneurs who knew the product or activity they were assessing. This reflects that self-confidence is a phenomenon typically related to common tasks rather than unfamiliar ones. The four expert entrepreneurs who expressed self-confidence did so because they believed in their ability to influence the outcome of their decisions, as expressed in the following quote:
I prefer the term to promise a lot and even exceed that. And that’s what we try to do because if you under-promise, over-deliver, you’re not gonna get that many clients. You still have to promise quite a bit to get clients in the first place, but that’s what we do and that’s continued to be our motto. I could never over-promise because I knew I’d always over-deliver. (Donovan)

Self-confidence was driven more by belief, emotions, and feelings than reliance on rationality and reason. Emotions played a significant role in finding the answer to why to pursue the opportunity, and served as additional information input into the entrepreneur’s reflective process, transforming the way that the entrepreneurs thought. This appeared typically in conditions of uncertainty:

We never wanted to have just another tourism business. We wanted to, from the start, have an exceptional tourism business. We didn’t know how to do it, but we felt we could do it. (Stephen)

Entrepreneurs typically expressed self-confidence regarding personal capabilities, generally gained in employment in large companies, and knowledge of the product or activity being assessed. Serial entrepreneurs expressed self-confidence regarding knowledge of the travel and tourism sector.

We always come up with the new ideas and constantly develop our business, because if we do that and continue to do that and other people copy us, what they’re doing is they’re copying what we had six to twelve months ago. (Donovan)

And I am the chair of the [tourism organisation] and I’m on the board of the [tourism organisation], and they’re all steps up. I’ve been on the [tourism organisation] for a whole number of years. They’re all steps, steps, you learn a lot of things, you start to contribute and you start to be able to put things together and move them forward in a right kind of a way. (Bjorn)

5.5 Where to From Here?

Once entrepreneurs were satisfied with answering the question “why should I pursue the opportunity?” entrepreneurs committed themselves to the process of mobilising the resources needed to start the venture and to exploit the chosen opportunity. Different entrepreneurs engaged in this process in different ways. Some entrepreneurs devised plans and forecasts before launching the venture, whereas others decided to test the product or activity and then assess the response from the first customers. There were two dominant approaches to acting on chosen opportunities: (1) an approach that required a product or activity to be designed entirely before the launch and (2) an emerging product or activity without a pre-determined launch. About half of the entrepreneurs expressed that they had chosen the former approach, and the remaining entrepreneurs the latter.
The experiences of entrepreneurs while acting on opportunities were consolidated into three sub-themes. Specifically, the experiences and the corresponding entrepreneurs are listed in Table 5.3 and discussed in the following sub-sections.

Table 5.4: Sub-Themes within “Where to from here?”

<table>
<thead>
<tr>
<th>Sub-Themes</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed business plan of chosen opportunity before launch</td>
<td>Colin, Kevin, Thomas, Craig, Justin, Peter, Jeremy, Ivan, Wayne, Ben, Jimmy</td>
</tr>
<tr>
<td>Calling in trusted contacts</td>
<td>Colin, Bjorn, Justin, Jeremy, Donovan, Ben, Geoff, Henare</td>
</tr>
<tr>
<td>Testing market reaction and being prepared to change</td>
<td>John and Jean, Graham and Mary, Tipene, Bjorn, Stephen, Donovan, Geoff, Henare</td>
</tr>
</tbody>
</table>

5.5.1 Detailed business plan of chosen opportunity before launch

After assessing opportunities, 11 entrepreneurs mentioned that they developed business plans, either by themselves or through consultation with trusted contacts. The depth and coverage of the business plans differed considerably, with some entrepreneurs describing their business plans as extraordinarily comprehensive and others as a few pages long.

And that ended with a business plan of 110 pages and we had gone through the entire scenario that I needed to consider. That was one of the best things I could have done because jumping into something without planning is certain suicide. (Colin)

The writing of a business plan was considered best practice because it provided the entrepreneurs with a platform for thinking systematically and in advance about the resources and activities that might be required as the venture was launched. Most entrepreneurs knew what a business plan should contain and referred to the popular literature on how to write a successful business plan as the guidelines they had followed.

Oh, it was everything you wanted. I mean, one thing that I’ve always been good at, I suppose, as an engineering background, is spreadsheets and things so cash flows and forecasts and budgets and all of that stuff is easy as far as I’m concerned. (Jeremy)

Entrepreneurs who developed business plans did not do so to seek external funding, but as an exercise in planning. Planning was assumed to produce better outcomes than proceeding without a plan. A business plan was seen as a way of minimising uncertainty in the pursuit of the entrepreneur’s goal. Part of the business plans comprised forecasting and budgeting, both of which were used to observe the implications of potential future scenarios, which the entrepreneurs expected would enable them to make right decisions and implement strategies effectively during the start-up phase. As these entrepreneurs put it:
I mean I wrote it, a vague business plan, and to be honest it’s something I’m looking at now revisiting because as we all know a business without a business plan is a business that’s kind of floating. But when I started the business I put together a basic business plan and ran it past a few people. (Craig)

So we both, yeah, we both started it and, yeah, I mean we sat down and wrote the business plan together. We came up with the financial forecasts together. We worked out numbers and stuff like that. (Thomas)

I did a large business plan and had everything you would expect to be in it, you know, competitive analysis, risk analysis, growth opportunities, SWOT analysis, all of those things. (Ben)

Seven out of 11 entrepreneurs were amenable to share the business plans they had put together before launching the venture. Upon observation and review, it was apparent that the level of sophistication and complexity of the analysis that was put together spanned a wide range. Three business plans followed a template prescribed by the banks the entrepreneurs were considering to approach for loans. Jeremy’s business case was unusually comprehensive and incorporated some spreadsheet models that looked at the effect of various scenarios.

5.5.2 Calling in trusted contacts

Access to resources was a key challenge facing entrepreneurs during new venture development. Eight entrepreneurs relied on their network of contacts as a means of accessing knowledge. Those entrepreneurs could be classified into two distinctive groups: (1) entrepreneurs who sought advice on general aspects of venture creation and (2) entrepreneurs who relied on external advice to shape the final dimensions of products or activities. Arguably, entrepreneurs’ networks served different needs during the early stages of the venture. Resources such as general business expertise on markets and industry were particularly important for novice entrepreneurs during the stage of initial product or activity offering, as Craig and Ben put it:

And I thought what could I do in New Zealand? And I said to myself well I’ve got great contacts overseas and I’ve got lots of good friends who have businesses in New Zealand who could help me with that. (Craig)

Actually went to a whole range of friends of mine who are accountants, CEOs, those kinds of things. Had them read it for two reasons. One was they were the prospective target market, albeit my market is 100% international, not domestic, but those kind of people, so I wanted them to read it from a business point of view, but also from a, does this spin your wheels, is this something that you’d be interested in. (Ben)
The requirement for financial capital to meet the costs of the venture was the catalyst for some entrepreneurs to seek advice from accountants, who the entrepreneurs thought would be in a position to provide counsel on the financial aspects of the venture, as Justin put it:

But it was based on the opportunity that we perceived. And we got a little bit of financial advice from the accountant that Craig had, and I think we all came to an equitable agreement that the sum of money that we agreed upon. (Justin)

In some other instances, entrepreneurs like Justin used a more extensive range of contacts to source external funding.

One of the other things I was worrying about this time last year was did I have to hire someone, even on a contract basis, who knew people with money, who could look for funding for me, who had the contacts and things. (Justin)

5.5.3 Testing market reaction and be prepared to change

Eight entrepreneurs decided to proceed without a complete business model, product or activity they wanted to work with. They were uncertain of the entire range of features of the product or activity, but they decided to act. Rather than committing themselves to a pre-designed product or activity, they made a small investment in marketing to attract some demand and sought feedback from the initial customers. In some instances, the final product or activity was significantly changed by the customers’ opinions. As Thomas and Bjorn put it:

Yeah it was just amazing how we had this concept, but it’s actually well over here. It sort of started here, but it actually all changed. (Thomas)

We did do a lot of market research; during the first few weeks we asked people all the time, what do you think? As it turned out, we ended up changing quite a few things due to customer feedback. (Bjorn)

Three entrepreneurs became aware of profitable market segments that had not been initially targeted or envisaged. Those entrepreneurs changed the business models, products, and activities, shifting their focus.

We struggled in that we couldn’t cater to the people and even we found we started to get a lot more school groups coming in. The schools were getting more and more interested in the eco-tourism or the eco side of things and the marine reserve was getting more and more promoted to schools, so we were getting a lot more schools coming in. So after about five years I said to Mary, we need to build a bigger boat. (Graham and Mary)

But being Maori is worth a thousand dollars a day as a tour guide in this country, and I didn’t realise that. And these particular, you know seasons, these people, ahipara, the top end people, they want an authentic experience for their clients, so I went for them and charged them much more. (Tipene)

In one case, the inability or unwillingness to change contributed to the demise of the venture.
I built the boat seven years ago. I was looking at buses of 40 seats, and so my survey was for 40 people, whereas the big buses now will carry, what 50 to 55 people. And unfortunately the boat can’t get surveyed for 55 so I suppose you’re right, the capacity thing limited us. (Peter)

5.6 Integrating the Decision-Making Logic

The findings presented in this chapter show that there are significant differences in the way that entrepreneurs in the eco-tourism and adventure tourism sectors make decisions to launch new ventures. The decision-making process for these entrepreneurs comprises three important themes broken down into the fifteen sub-themes, as shown in Figure 5.1.

Figure 5.1: Overview of Entrepreneurial Decision-Making Logics

Not every subtheme is part of the decision-making process of every entrepreneur. The resulting combination of sub-themes that a particular entrepreneur considers determines the preferred decision-making mode of the entrepreneur. When looking at the research results, four distinct combinations of subthemes emerge that in turn results in four decision-making modes. For this study, the four decision-making modes are labelled as (1) the Self-Employed, (2) the Business Manager, (3) the Portfolio Builder, and (4) the Lifestyler. Each decision-making mode is explored in detail in the following sub-sections.
5.6.1 The Self-Employed

The Self-Employed group comprises six entrepreneurs: Jimmy, Craig, Wayne, Peter, Thomas, and Kevin. At the time of the interviews, Jimmy and Peter had decided to close down their ventures, and the rest of the entrepreneurs owned one venture each. All of the entrepreneurs in this category were novice entrepreneurs, although they had been self-employed in trade-related activities before starting their entrepreneurial ventures. The decision-making process each of them followed to launch their first venture was similar when compared to each other. Like the Lifestylers, the Self-Employed had a strong motivation for independence and the clear personal goal of making a living from the venture. All were knowledgeable about the product or activity they launched, which represented their hobbies or leisure-time activities. They had previously not been engaged in a commercial activity relating to it. All of the entrepreneurs in this category were motivated by the sense of independence and desire to work with a known product or service. These two specific considerations make Wayne, Peter, Craig, and Jimmy suitable for this category, even though they did not meet two of the sub-themes. The decision-making process of the Self-Employed includes the sub-themes depicted in Figure 5.2.

None of the entrepreneurs had an understanding of the dynamics of the travel and tourism sector before launching the venture. They were passionate about working with a product or activity they liked, and they were very strongly motivated by the personal goal of making a living from the product or activity, which would provide them with a sense of independence. No external funding was sought, as the entrepreneurs wanted to meet seed capital requirements with personal savings. Unlike the Lifestylers, who were passionate about a cause and were not concerned about a specific product or activity, the Self-Employed group was clear about the product or activity they wanted to work with, and they had a clear personal goal.

Being aware of their likes and the intense personal goal of making a living from a venture based on these likes were two fundamental steps at the initial stages of the decision-making process to launch a venture. They either scanned the environment for opportunities within the product or activity they liked or saw a suitable opportunity overseas that could be launched in New Zealand. Opportunity recognition, therefore, had endogenous and exogenous elements.
The desire to launch a venture was motivated by a longing to make a career change from a trade-related activity, which was regarded as not emotionally fulfilling, to a venture that involved a product or activity they liked. Because they were previously self-employed in a trade-related activity, the Self-Employed had an understanding of the need to review external data, such as competition and markets, and they also believed in the benefits of drafting a business plan.

5.6.2 The Business Manager

The Business Manager group comprises five entrepreneurs: Colin, Justin, Ben, Jeremy, and Ivan. At the time of the interviews, Ivan had decided to close down his ventures, and the rest of the entrepreneurs owned one venture each. All of the entrepreneurs in this category were novice entrepreneurs. The decision-making process each of them followed to launch their first venture was similar to each other. Like the Portfolio Builder, the Business Manager was motivated by a desire to create wealth and, like the Self-Employed, the Business Manager wanted to work in a product or activity they liked. They were all knowledgeable about the product or activity they launched, which represented their hobbies.
or leisure-time activities. They had previously not been engaged in a commercial activity relating to it. Three entrepreneurs in this category (i.e., Justin, Colin, and Ivan) did not meet every sub-theme in this category – there was no perfect fit for all entrepreneurs in all categories. However, every entrepreneur had wealth creation as motivation and worked with a known product or service. The decision-making process of the Business Manager includes the sub-themes shown in Figure 5.3.

Figure 5.3 The Business Manager’s Decision-Making Process: Colin, Justin, Ben, Jeremy, and Ivan

The Business Manager was systematic and methodological during the decision-making process. These entrepreneurs engaged in opportunity scanning, market analysis, budgeting, forecasting, and business planning. Previous employment provided the Business Manager with the tools and the knowledge to conduct those steps.

None of the entrepreneurs had an understanding of the travel and tourism sector’s dynamics before launching the venture. They wanted to work with a product or activity they liked and were motivated by the prospect of financial rewards in a different type of setting from the corporate world, from which all of the entrepreneurs in this category came.
5.6.3 The Portfolio Builder

This group is represented by four entrepreneurs: Donovan, Henare, Bjorn, and Geoff. These entrepreneurs are serial entrepreneurs who manage their start-up ventures as a portfolio of businesses. At the time of the interviews for this research, they either wholly or partially owned several ventures. The decision-making process each of them followed to launch their first venture was similar when compared to each other, as was the decision-making process to launch subsequent ventures. The four entrepreneurs met the eight sub-themes, except Henare, who did not meet the sub-theme labelled as “resources required within reach.” The Portfolio Builder’s decision-making process includes the sub-themes shown in Figure 5.4.

Figure 5.4: The Portfolio Builder’s Decision-Making Process: Donovan, Henare, Bjorn, and Geoff

In every case, the starting point for the decision-making process was the desire to meet a personal environmental, social, or cultural passion and turn it into an avenue for wealth-creation. The Portfolio Builders had a set of resources at their disposal that could be employed in a range of different ways, but they were not focused on a particular product or activity. This gave the entrepreneurs freedom to operate, rather than being constrained by a specific objective. Turning their resources into a final product or activity required a series
of steps. Decision making did not start with a creative effort to convert resources into an actual product or activity, neither did it start with traditional business planning. The final product and service emerged from customer feedback.

From this perspective, a nexus among customers and resources was the foundation on which a product or activity emerged. The final product or activity was not created as such but materialised as a result of practical steps, such as launching a prototype, seeking customer feedback, and redefining the offering. Although the entrepreneur can regard these steps as “creative effort,” the tangible product or activity was not envisaged from the beginning, but developed mainly from the resources under the entrepreneur’s control and shaped by external customer input. These entrepreneurs focused on acting upon the resources at hand as well as external feedback from their actions; they did not craft, *ex ante*, an output. The final product or activity was the result of an evolving process, which included the creation and re-creation of products or activities over a period – a prototype or pilot test was the starting point. The ideation process for their initiatives did not include a suggested product or activity, but a mental sketch of the setting where a product or activity might be launched or of a broad purpose, whether environmental, social, or cultural.

These entrepreneurs did not embark on detailed forecasts or business research, either on their first venture or subsequent ventures. Although there was a profit-maximisation motivation, they did not make decisions on the expectation of an anticipated return, but on their perception of a setting or location where the implementation of the resources at hand might result in customer demand. That approach to decision making was repeated after their first venture when the entrepreneurs made decisions by tacit knowledge and expertise gained over the years.

The four entrepreneurs did not rely on external data to make decisions, and they did not conduct any type of research other than an informal gathering of customer feedback. The entrepreneurs acknowledged acting without comprehensive market research. They recognised the importance of research, but none of them sought to source market data. The four entrepreneurs recognised the importance of having the right contacts in various tourism organisations.

There is evidence of an evolving strategy in these entrepreneurs, who stated their plans for new future ventures. They all intended to develop on-going products or activities to
complement and extend their core offering by leveraging their existing presence to develop additional value to customers. These entrepreneurs recognised the evolving nature of created opportunities, which was underpinned by the uncertain environment of the decision-making process.

A common theme in all entrepreneurs was that, because of the endogenous nature of the opportunity, no precise definition of the customer motivation for the purchase of the product or activity was required. The decision to create further opportunities started as a response to an entrepreneur’s problem, rather than to a customer’s problem. Once the product or activity emerged, then a product description and the role of the product as a solution to the customer’s problem are defined and articulated. As the opportunities created by these entrepreneurs did not start as a solution to a problem, the decision-making process may be described as one in which the first iteration was creating the problem for customers to recognise, followed by customer feedback where the solution to the problem emerges. The entrepreneurs’ decision-making process relied on customer feedback as a way of mitigating uncertainty.

5.6.4 The Lifestyler

The Lifestyler group also comprises four entrepreneurs: John and Jean, Tipene, Graham and Mary, and Stephen. These entrepreneurs were novice entrepreneurs who, at the time of the interviews for this research, owned one venture each. The decision-making process each of them followed to launch their first venture was similar when compared to each other. Like the Portfolio Builders, Lifestylers were passionate about working towards an environmental, social, or cultural cause, but they intended to do it hands-on and without a financial motivation other than drawing a salary that would allow them to remain independent. Entrepreneurs in this category started their ventures with a strong lifestyle motivation coupled with the desire to seek an independent source of employment. The four entrepreneurs met the six sub-themes, except Graham and Mary who did not meet the sub-theme labelled “self-confidence.” The Lifestyler’s decision-making process includes the sub-themes shown in Figure 5.5.
The Lifestylers are owner-operators who have little desire to grow their businesses but are focused firmly on both lifestyle choices and environmental issues. They launched products or activities without making budgets or forecasts or having a thought-through service-delivery mechanism. Instead, they turned ideas into action quickly and acted upon feedback from customers.

They launched product and services without an understanding of the sector’s dynamics. The absence of experience in the particular product or activity is overridden by their desire to work in a particular area of passion. The desire for independence motivates the novice entrepreneur to create an opportunity associated with a broad area they feel passionate about. Unlike the Portfolio Builder who took a hands-off approach, Lifestylers wanted to work hands-on towards an environmental, social, or cultural cause.

The decision-making process naturally took funding into account. No external funding was sought, as the ventures were bootstrapped in every case. Interestingly, no funding from friends or family was sought, as all funding was sourced from the entrepreneurs’ savings. Even in the case of a cost overrun faced in one venture, the necessary additional funding
came from personal wealth. These entrepreneurs avoided external funding of any sort, including mortgages. In every case, the entrepreneurs in this category built strict limitations on funding requirements into their decision-making processes and were prepared to invest only what they could afford.

Crafting the opportunities required a decision-making process centred on self-reflection. Becoming aware of the resources at hand and their passions were two fundamental steps at the initial stages of the decision-making process to launch a venture. Those two stages were not triggered by time of crisis, but by an inner motivation. The entrepreneurs did not scan the environment for opportunities; they started by looking at themselves. The decision-making process within the category of Lifestylers required two critical elements: the inner motivation to work towards something they felt passionate about, and becoming self-aware of the resources they could work with, provided it could lead to independence.

Once the Lifestylers decided to start a venture, they conducted the initial stages of ideation. The ideation process included sketches of what product or activity they could launch with the resources and capabilities they had under their control. In a process similar to that of the Portfolio Builders, Lifestylers had an expansive idea of products or activities they believed they could manage. The process of ideation did not include the knowledge that a customer need was unfulfilled or the pre-existence of customer demand for a specific product or activity. The final decision as to what product or activity to launch was made by intuition, and no systematic, rational decision-making process was undertaken to select one out of many options.

Once a broad idea of a product or activity emerged, no Lifestyler sought to develop a business plan or engage in budgeting or forecasting. None of them had travel and tourism experience, and only one of them sought external advice on the financial implications of the product they envisaged. On the contrary, Lifestylers quickly moved into action by launching a basic product supported by basic, traditional forms of advertising. The feedback received from initial customers shaped the product.

5.7 Concluding Remarks

This chapter has explored the questions “How do entrepreneurs adopt a decision-making logic to launch new tourism ventures?” and “How does the entrepreneur motivation relate to the decision-making logic that is adopted?” The chapter has shown that there are
significantly different approaches to entrepreneurial decision-making logic to launch new ventures in the eco-tourism and adventure tourism sectors. The approaches are determined by the specific combination of a number of sub-themes within four broad areas or themes: (1) why the individual decided to become an entrepreneur, (2) what opportunity the individual would pursue, (3) why the individual would pursue the identified opportunity, and (4) what the individual did once he or she decided to pursue the opportunity. The nature of the answers, and the considerations that individuals make to answer such questions, shape the decision-making logic adopted.

In answering the research question “How do entrepreneurs adopt a decision-making logic to launch new tourism ventures?” four distinct approaches were observed and labelled as those of the Self-Employed, the Business Manager, the Portfolio Builder, and the Lifestyler. The analysis of the data has revealed that these four types differ on reasons why decided to become entrepreneurs, the type of business venture they would pursue, why they would pursue it, and what they did to launch the venture. Overall, the reasons that underpin an entrepreneur’s motivation to consider launching a venture, as well as the purpose they want to achieve, are factors in the decision-making logic they adopt.

It should be noted that the answer to the research question “How does the entrepreneur’s motivation relate to the decision-making logic that is adopted?” is intimately related to the actual decision-making logic that is adopted. In fact, one factor that shapes the decision-making logic is, precisely, the individual’s motivation to become an entrepreneur. Fundamentally, entrepreneurs naturally adopt a decision-making logic as a result of two key variables: their motivation and the nature of the opportunity. This is shown in Figure 5.6 in which the opportunity content and the underlying motivation to launch a new venture are the two determinants of decision-making logic. Individuals with similar combinations of opportunity content and underlying motivation then move to exploring such opportunities and acting upon them in similar ways.

Both the Portfolio Builder and the Lifestyler groups create, rather than discover, opportunities and are motivated by a particular environmental, social, or cultural cause, as shown in the top quadrants of Figure 5.6. The primary distinction between each group is that Portfolio Builders have a strong financial focus whereas Lifestylers are focused on the sense of independence. On the other hand, Business Managers and the Self-Employed
discover opportunities and are both motivated to work with a product or activity they know intimately, as shown in the bottom quadrants in Figure 5.6.

Figure 5.6: Typology of Entrepreneurial Decision-Making Logic

Business Managers focus on creating wealth for themselves whereas the Self-Employed has a robust personal goal of achieving independence. While both the Lifestyler and the Self-Employed groups seek independence, the Lifestyler wants to launch a venture that would contribute to a cause they feel passionate about. On the other hand, the Self-Employed entrepreneur pursues independence as a personal goal. Similarly, while both Portfolio Builders and Business Managers pursue a financial objective, Portfolio Builders want to do so in a way that meets a deep personal passion, while the Business Manager is focused on working with a specific product or activity. Both groups of entrepreneurs saw the importance of liaising with trusted contacts for advice.

All ventures were an extension of the entrepreneurs’ lifelong pursuits, and all entrepreneurs seemed to have cognitive frameworks or archetypes of their respective areas of passion or
interest. This area of passion acted as a script that the entrepreneur followed with focus and dedication. For some entrepreneurs, the area of passion resulted in a specific setting within which creative efforts took place, and within which new products and tourism attractions emerged. However, since not every entrepreneur possessed the specific experience in the chosen venture domain, it may be concluded that holding specific competencies in a specific product or service was not a necessary condition for the successful management of a venture.

Entrepreneurs who decided to pursue a venture related to a practical activity they felt passionate about found opportunities to exploit and commercialise the technical knowledge they possessed. This knowledge was useful to leverage off their first venture, but this approach acted as a limiting factor for future opportunities. The interpretation of the interview transcripts revealed that they placed technical skills at centre stage of the decision-making process.

Moving on from this point, the following chapters turn towards how the entrepreneur’s background shapes their preferred decision-making process (Chapter 6) and how the preferred decision-making mode affects the performance outcomes of their venture (Chapter 7).
CHAPTER 6: FINDINGS (II) – DECISION-MAKING LOGIC AND ITS ANTECEDENTS: FOUNDER’S BACKGROUND

This chapter explores the research question “How does the entrepreneur’s background relate to the decision-making logic that is adopted?” This chapter follows from Chapters 6 and 7, which explored both the various approaches to making decisions to launch new firms and the resulting firm and entrepreneur performance outcomes. The data in Chapter 5 indicate that different entrepreneurs emphasise different dimensions when making decisions on launching a new venture. As it will be later seen in Chapter 7, the empirical data suggest that the manner in which entrepreneurs make decisions to launch new ventures influences both the subsequent performance outcomes of the firm and the entrepreneur’s satisfaction with the venture. This chapter examines whether the different backgrounds, experiences, and expertise that entrepreneurs possess before launching the venture influence the choice of decision-making logic that is adopted.

Given the findings from Chapter 5, it appears that that the entrepreneur’s human capital, which includes the stock of factors intrinsic to entrepreneurs that they possess at any one point in time, influences their approach to decision making. This is illustrated by the fact that, as was observed in Chapter 5, some entrepreneurs incorporated analytical tools in their decision-making process, tools that were acquired during previous employment. Also, as shown later in Chapter 7, the data suggest that the decision-making process adopted by the entrepreneur results in varying levels of firm performance outcomes. In principle, it seems plausible that a link between the entrepreneur’s background and performance outcomes could be established in the decision-making mode that the entrepreneur adopts. It should be noted that the construct of background falls outside the boundaries of decision-making and is viewed as an antecedent to decision-making. An entrepreneur background does not respond to any of the Knightian, Marchian, and Weckian problem spaces covered in section 1.2.

6.1 Capturing the Entrepreneur’s Views on their Background

The 19 entrepreneurs described in Appendix 1 were required to address an interview protocol consisting of three broad, open-ended questions, as described in Chapter 4. The specific question asked to capture the entrepreneur’s view on their background was “What was your background before starting the venture?” This open-ended question reveals the
entrepreneur’s views on relevant aspects of their human capital that influenced their decision to launch a venture. Given the heterogeneity of the sample, the open-ended question allowed for the expression of the various factors that, in the opinion of the respondent, had contributed to their entrepreneurial journey. The question allowed for the emergence of a range of background elements in the interviewee’s answers. The processes of theme identification and thematic clustering yielded three broad themes: education, previous employment, and interest and passion.

6.1.1 Education
Every entrepreneur in the sample mentioned education, although not every entrepreneur had undertaken formal tertiary education or educational activities in a business-related field. For the entrepreneurs in this research, the theme of education comprised a wide range of life experiences, formal education, and informal education-related experiences. The overall stance adopted by the entrepreneurs was one along the lines of what Hasan (1996) labels as “lifelong learning,” in which educational activities are undertaken to improve capabilities and competencies. Entrepreneurs saw personal experiences, and the observations resulting from them, as the means to increase their stock of skills and knowledge. Ultimately, knowledge was constructed from such observations and is included in the entrepreneurs’ overall capability, and in answer to the question “What do I know?” as formulated by Sarasvathy (2001b).

6.1.1.1 Formal education
Eleven of the 19 entrepreneurs specifically referred to having acquired a tertiary education degree. The dimension of formal education was mentioned by Tipene, Bjorn, Geoff, Donovan, Henare, Colin, Justin, Ben, Jeremy, Ivan, and Craig. The entrepreneurs who had not acquired formal education were divided into two groups: (1) John and Jean and Peter, who were farmers, and (2) Graham and Mary, Stephen, Wayne, Thomas, Kevin, and Jimmy, almost all of whom were either tradespeople, self-employed or retailers before starting their businesses.

The educational experiences mentioned by the entrepreneurs who completed tertiary education were similar, and all had completed an undergraduate degree. Except for Craig, who had an arts degree, the rest of the entrepreneurs had formal qualifications in a business-related field, such as marketing or accounting. Although not a business degree per se, Jeremy’s degree in engineering allowed him to gain knowledge in typical business-related
processes, such as planning and forecasting. Except for Bjorn, no entrepreneur made a deliberate choice to undertake formal education with a view to becoming an entrepreneur. No entrepreneur regarded his or her formal education as a significant factor leading to the decision to start an entrepreneurial venture.

Bjorn was the only entrepreneur who undertook specific studies in the field of entrepreneurship. Bjorn had had entrepreneurial experience before undertaking his studies and, although he acknowledged his formal education as a positive aspect in his life journey, he regarded the courses as lacking real-life, hands-on, and action-oriented content, and void of a real entrepreneurial perspective. However, every other entrepreneur (1) recognised that their formal education provided some knowledge and skills that they now used in their daily work and (2) mentioned that formal education shaped their subsequent work and life experience. This is illustrated by the words of Donovan:

I’m more from the marketing side. That was my degree, in marketing, which again helps us in a big way, marketing and that stuff, and putting together good brochures and promotional activities.

Some entrepreneurs reflected on the fact that formal education was valuable in providing a platform for being able to acquire resources that would allow them to fund the transition to an entrepreneurial venture:

I went through business school, accountancy, which gave me shitloads of money and put me in a position where I can do this now; it takes a bit of pressure off financially. (Tipene)

Craig was the only entrepreneur who, after choosing to undertake formal studies in an unrelated area, decided to acquire further skills-based studies that would ultimately allow him to launch a venture in a related area:

And then while I was down in Otago I heard about a sport structures course that was happening over in Wanaka. So you had to go to this once every weekend and then you sit your exams and become a sports trainer.

Other entrepreneurs, who pursued business-related studies, found that their education allowed them to start employment opportunities that provided them with valuable experience in the travel and tourism sector. It was not necessarily the formal education per se, but formal education was the vehicle for acquiring experience in a sector where they would subsequently target their entrepreneurial actions:

Whilst I was at university, I got a job around the marine tourism scene, if you like. And, yes, I’ve always been the sailor, parents have always had boats, we went places in the islands and Bay of Islands, so we’ve relied on boats for transport and all sorts of things. (Geoff)
Ivan and Jeremy reflected on the fact that, through their years at university, they gained a wide variety of skills, such as interacting effectively with people and forming positive working relationships, all of which would eventually become valuable as an entrepreneur. Formal studies were credited with imparting writing, analytical, and leadership skills, which they subsequently adopted in their entrepreneurial ventures.

Entrepreneurs mentioned that the knowledge gained through formal education was not always practical and relevant to their entrepreneurial activities. However, every entrepreneur mentioned that formal studies provided him or her with what may be labelled as “a level of higher-order conceptual thinking” through their participation in classroom-based tertiary education. Tertiary studies played a somewhat useful role in managing the ventures, but it was not as important as other life experiences. Arguably, specific studies in entrepreneurship could well have assisted some entrepreneurs with gaining relevant skills.

6.1.1.2 Informal education

Another component of education is valuable learning resulting from personal experiences commonly referred to as informal education. Some entrepreneurs observed that relationships and dialogue with colleagues and family members resulted in learning that encouraged and motivated them to pursue entrepreneurial activities. In some circumstances, the interactions with other people and the resulting observations from such interactions were serendipitous. That is, they were unintended rather than self-directed. The words of Tipene illustrate this:

Frank ended up being a private guide driver for the Tourist Hotel Corporation, Road Services. He always said that the tourists that came to New Zealand were the quite affluent ones. He would pick them up and he told me wonderful stories driving a man that went to the moon, Neil Armstrong, he took him around. Those seeds started to form in my brain about what I’d like to do, and that’s what I’m doing now, pretty much.

In some instances, the learning occurred by engaging with a community of interest or by participating in informal discussions with friends. Justin’s engagement with mountain biking started by learning how to build mountain biking tracks by participating in club activities:

And [corporate land owner] asked the people at the mountain bike club if they would like to manage the registration of bikers. Now why they required that, is they allocated an area for mountain biking. So basically I learned how to build tracks in there, under the guidance of the [mountain bike club name].
One entrepreneur mentioned the role that family played in learning lessons about the hurdles and difficulties of running an entrepreneurial venture. He credited that experience as being the trigger that later resulted in the decision to become an entrepreneur:

Mum and Dad purchased a place and moved from the deer farm to the other end of Lake Karapiro. And this had a large area of land, a real large area down by the lake and they got consent to put originally six chalets down there, so we were going to have chalets and have the boat and kayaks and there’s very good trout fishing there as well. (Peter)

Graham and Mary observed that the experience of running a series of small, owner-operator businesses provided them with specific skills that would prove valuable in their entrepreneurial endeavours. As they put it:

Set up a little business in Whangaparāoa of just mowing lawns and we did that for a few years and then we were fortunate enough that my brother owned the fish and chip shop down at Kaiawa, and they had had enough of that business because they’d been in there for a while and they wanted a break, so they said would we be interested in running that business while they went away. Both businesses were quite small, but we had to learn about cash flow and stuff.

Similarly, Henare mentioned that running a small tourist lodge provided him with insights into the travel and tourism sector.

So one of the businesses was a tourist lodge in the Bay of Islands and it was a backpackers lodge, so we worked that and eventually sold it in 2007, but it did give me a grounding in tourism because that whole business was built around a tourism product.

No entrepreneur mentioned explicitly seeking either self-directed experiences or learning that would allow them to become an entrepreneur. Informal, ad hoc education or experiences like seeking a mentor, attending seminars, or reading books about entrepreneurship, were not mentioned by any entrepreneur. In every case, entrepreneurs emphasised their formal education, informal education, or previous work experience, which is examined in the next section. An exception was Bjorn, who, as noted earlier, pursued formal education on entrepreneurship after becoming an entrepreneur. However, he believed that the learning was not particularly practical or useful.

Overall, there was a “can-do” attitude supported by the stock of experiences and education that the entrepreneurs possessed before deciding to pursue an entrepreneurial career. Whether formal or informal, directed learning with the specific objective of understanding the dynamics of an entrepreneurial venture was not sought. Rather, the entrepreneurs’ outlook was one of carrying out entrepreneurial action and learning by “doing it.” The underlying view of every entrepreneur was that all experiences are fundamentally educational and contribute learning toward an entrepreneurial career.
6.1.1.3 Concluding comments on education

The empirical data from this research show that the decision to pursue an entrepreneurial activity does not relate directly to any previous formal education. The sample was almost evenly split between entrepreneurs who held a tertiary qualification versus those who did not. However, entrepreneurs who held a business-related degree aggregated within the Portfolio Builder and Business Manager decision-making logics, and this shows that there is a relationship between business-specific formal education and decision-making logic. This does not suggest that formal education influences the entrepreneur’s ability to identify, create, and act on opportunities, but it did appear to influence their decision-making logic. The question remains whether the resulting performance outcomes of businesses launched by entrepreneurs with formal education outperform those launched by the rest of entrepreneurs. This will be explored in detail in Chapter 8.

6.1.2 Previous employment

Research has acknowledged the vast array of the entrepreneurs’ previous activities before launching ventures. Although previous business ownership is expected to condition the entrepreneur for future entrepreneurial activity, studies have highlighted the heterogeneity of entrepreneur work background. Read et al. (2010) argue that expert entrepreneurs build a stock of work experience after founding several ventures, and this stock of experience increases the chances of a successful new venture. This is line with MacMillan (1986) and Whittaker et al. (2009) who argue that a fundamental flaw in entrepreneurial research is ignoring work experience when attempting to understand the differences among entrepreneurs. Arguably, when entrepreneurs make decisions, they use experience and judgment to generalise from the information at hand. The question of whether a particular type of work experience leads to a particular type of decision-making process remains. Nevertheless, work experience may be regarded as a fundamental dimension of “What do I know?” in effectuation.

6.1.2.1 Employed in a large company

Eight of the 19 entrepreneurs had held employment in a large company for several years and before embarking upon their entrepreneurial endeavours. Those entrepreneurs were: Tipene, Geoff, Donovan, Henare, Justin, Ben, Jeremy, and Ivan. Arguably, these entrepreneurs developed managerial human capital (Castanias & Helfat, 2001), which could have been developed by either observing or making business decisions. When operationalising the
construct of managerial human capital, the literature refers to variables such as the number of years of work experience (Bates, 1995), number of previous jobs, and the nature of the job held in terms of the level of seniority attained (Gimeno, Folta, Cooper, & Woo, 1997). These variables, however, may not strictly reflect the managerial human capital that is developed (Whittaker et al., 2009).

The entire careers of these eight entrepreneurs were developed within that large company setting, in full-time jobs, and with the length of their careers depending on the individual’s age. The roles and responsibilities were varied, but they mostly related to positions involving some managerial aspect within a business-related function. The level of seniority varied considerably and depended on the number of years of employment. For example, Ben held the positions of marketing manager in New Zealand and in the United Kingdom for two global organisations, with direct managerial responsibility for hundreds of employees. In his words:

Got picked up by [global oil company] and first job straight into Melbourne and off overseas so spent the next 14, 15, 16 years overseas I guess, all over the place, all over the world. I went up through middle management in [global oil company], lots of business jobs. Ended up, came back to New Zealand, I ended up as the marketing manager for [major telecommunications company]. So lots of, as I say, top management sort of, wide range of things.

Jeremy held similar top managerial positions in the United Kingdom. As an engineer, Jeremy was involved with a major private company in the defence sector.

I’m a graduate engineer and I worked primarily in the defence industry in the UK, doing project work, mainly around avionics, guided weapons, all sorts of things like that. So pretty much travelled all round Europe oh, for about 20 years. Doing various projects, euro fighter, all sorts of things.

Tipene worked in Canada for many years, within the finance and accounting field, before deciding to start an entrepreneurial venture.

Ben, Jeremy, and Tipene were the three entrepreneurs who reached top managerial levels in large companies. Arguably, the overseas experience might have been a factor in gaining this particular set of skills. Five other entrepreneurs who worked in large companies fulfilled sales, marketing, or business analyst roles. For example, Justin was a sales representative for a large American company in the area of imaging:

I was in corporate account management positions within the photocopy industry at the time, working for companies like [major global company]. Also a big company called [major global company] which is quite a big digital printing company.
Geoff, who focused on sales and marketing in a significant travel and tourism firm in Northland, told similar stories about his experiences. Donovan managed the marketing aspects of a commercial property development company, and Ivan was a business analyst with one of the major New Zealand-based retailers.

Employment in a business-related function within a large company provided entrepreneurs with specific skills that would prove valuable when starting their ventures. This was noted by Jeremy, who developed complex models and financial forecasts for his motorcycling tour venture. Jeremy mentioned that his previous employment provided him with those types of tools and, importantly, with a systematic and methodological framework when making decisions. Similarly, Donovan’s role allowed him to understand the dynamics of sales and marketing services. These generic skills were transferred to his cultural and eco-tourism business.

It should be noted that every entrepreneur who was employed by a large company had previously acquired formal education, as listed in subsection 6.1.1.1. Both formal education and employment in a large company setting were related to the skills that were later applied to launching and managing a tourism venture. Overall, working in a large company provided entrepreneurs with managerial human capital.

6.1.2.2 Employed in other forms of employment

Eleven of the 19 entrepreneurs had never been employed by large companies and had a range of work experiences. The varying types of employment that they held before launching their ventures reflected the heterogeneity of the sample and included roles in farming, trades, army training, and retailing. The eleven entrepreneurs whose work experience falls outside a managerial, large-company setting were: John and Jean, Graham and Mary, Bjorn, Stephen, Colin, Craig, Wayne, Thomas, Kevin, Jimmy, and Peter. John and Jean and Peter had worked their entire lives as farmers. Graham and Mary had worked in the retail sector and had owned three retail shops. Stephen, Thomas, and Kevin had worked as tradespeople. Craig, Colin, and Jimmy were self-employed contractors who worked as personal sports trainers. Wayne was a retired army staff member. Bjorn was the only entrepreneur who held a range of differing jobs in a range of industries, including being a tradesman in metal welding and producing film documentaries.
Five of these entrepreneurs (i.e., Craig, Wayne, Thomas, Kevin, and Jimmy) launched ventures that related to a product or activity with which they had previously engaged as a personal recreational activity. This suggests that these entrepreneurs relied on technical knowledge rather than on managerial human capital to move to entrepreneurial action. This type of knowledge was articulate knowledge resulting from the entrepreneur’s interests, as opposed to unarticulated managerial human capital. Unarticulated managerial human capital is the result of tacit knowledge and, therefore, more difficult for the entrepreneur to develop and harder for competitors to imitate than technical expertise.

When reflecting on their previous employment as farmers, John and Jean and Peter provided the following observations:

So my family owned the farm since 1922. They had it as a dairy farm and then about 1940 it changed into a sheep farm because it just wasn’t suitable for dairy farming and that’s when we came along and we’ve been farmers all our lives. So we got married in 1984 and I’ve been here since 1984. (John and Jean)

I left school and went into dairy farming with the aim to own my own herd and then buy my own farm. Unfortunately after 12 years of doing that, land prices went dramatically up and I decided I didn’t want to be a sharemilker for the rest of my life because I couldn’t see myself ever purchasing the farm really, because it was going up so much. (Peter)

It is interesting to note John and Jean’s reflection on how working in a farm prepared them for working in later years within the tourism sector, illustrating the notion of process-oriented capabilities, as previously mentioned:

So we have noticed outside global events that influence the ups and downs of tourist numbers, but as farmers we know ups and down. We’ve had to cope with seasonality all our time as farmers, weather and stock and everything like that. (John and Jean).

Graham and Mary were self-employed in the retail sector. As mentioned in the previous section, working in this area gave them the chance to be exposed to critical process-oriented skills like cash-flow management. These words encapsulate their story:

So my brother asked me if I would be interested in running that business while they went away. There was enough money that you could put some money away and you could start to make plans and things. (Graham and Mary)

Stephen and Thomas worked as tradesmen in the building construction sector as contractors to building development companies; they also carried out privately obtained work. Kevin was also a tradesman working in upholstery after being a well-known sports player in the UK. This quote illustrates their employment stories:

So when I finished playing, because you’ve kind of been on a pedestal really, I started a business making all these canvas restaurant screens, shade sails for schools, caravan
awnings and things. So I did that, and only because I didn’t know what I wanted to do at the time. But I started that and that went well, then I got busy and I moved into a factory. (Kevin)

Colin, Craig, and Jimmy worked as self-employed *ad hoc* sports instructors on a contract basis around the world. Colin was a snowboard instructor, Craig, a ski instructor, and Jimmy did physical conditioning training for rugby players. Interestingly, the ventures that these entrepreneurs launched were unrelated to their technical area of expertise.

I was training athletes, All Blacks, Auckland Blues, that sort of stuff, doing rehabilitation and conditioning, and things like that. And I wanted to do something else a little bit bigger. I’ve got a passion for the outdoors and wanted to expand on that and create, you know a business venture. (Jimmy)

Bjorn was the only entrepreneur who held several jobs in the trades as well as being a self-employed contractor in the media sector. His work as a tradesman taught him about boat building, which serendipitously resulted in learning how to dive and an interest in marine ecology. In his own words:

So I got stuck in some steel work then I got into boat building, never done that before, so I started building a number of wooden boats and built my own boat. And early on, in early 1980’s, as I was doing a bit of the woodworking, a friend of mine did a lot of diving, he had a boat, he had some problems with the boat and I fixed it for him. And he taught me how to dive as an exchange.

6.1.2.3 Concluding comments on work experience

As expected, entrepreneurs with differing types of work experience acted differently, including the way they made decisions. According to Becker (1993), a distinction needs to be made between knowledge that is specific and knowledge that is general. From this standpoint, specific work experience may be difficult to apply to different business or different contexts, whereas general work experience may be transferable across a range of firms, industries, and settings. It has been noted that entrepreneurs who worked in large companies had work experience that may be categorised as “general business experience” or managerial experience, whereas entrepreneurs who worked in other settings had “specific experience” relating to a trade or farming. The distinction between general or specific work experiences is important because it might have led to different pathways when making decisions. Arguably, work experience, as a fundamental part of human capital, represented (partially) the means available to these entrepreneurs, and this work experience contingently determined the way the entrepreneurs acted.
Unlike the entrepreneurs who worked in a large company setting, entrepreneurs who engaged in other forms of employment did not have the chance to develop general business experience or managerial competencies. However, they did have a stock of human capital in the form of process-oriented capabilities rather than static managerial-based capabilities. This is line with research on capabilities (Eisenhardt & Martin, 2000), which highlights that action-oriented behaviours are used to combine and integrate resources, such as specific skills and knowledge, in different ways to create new capabilities. Non-managerial, non-large company roles have led to human capital that has been employed toward entrepreneurial action. The fact that 11 entrepreneurs without large-company, managerial experience started ventures implies that they might not have placed importance on managerial human capital, or that the lack of it was not an obstacle to moving into entrepreneurial action.

6.1.3 Interest and passion

In the context of this research, passion and interest are defined as an emotional drive, which results in the desire to engage in entrepreneurial action within a broad area of personal interest. In this research, interest, and passion has been classified as a separate theme from motivation because, from the textual interpretation of the transcriptions, they emerge as stand-alone constructs. This is in line with McClelland (1987), who does not identify passion as a motivator. However, the entrepreneurs in this study pointed out that passions and interests were precursors to their entrepreneurial endeavours.

Of the 19 entrepreneurs in this research, five expressed a passion for the notion of ecology. These entrepreneurs were John and Jean, Graham and Mary, Stephen, Bjorn, and Geoff. They expressed the desire to launch products and attractions that involved environmental protection and conservation. Their ventures were aimed at increasing awareness of ecological issues using products and attractions for leisure tourism and products and attractions that would not disturb natural habitats. John and Jean, who started an eco-tour venture as a means of showing overseas tourists the concept of sustainability, explained:

The biggest impact that we are having with our tourism operation is carbon emissions from vehicle running and we now plant a tree for every single tour that we do. And then there’s the odd one, I mean we might get people that want to get a tree or two trees for a conference that they’re doing or we might have somebody ring up that’s had a grandchild and they want to do a planting for that.
Three entrepreneurs (i.e., Tipene, Donovan, and Henare) started their ventures with an evident passion for showcasing and engaging with Maori values and beliefs. Henare’s words illustrate the passion of portraying Maori culture through his venture:

I also get approached from different people who want an authentic Maori experience and I mean we can do all the traditional things and dancing and marae stays, but to me that’s not really the platform that people want. Sure, they want to experience some of that and there are products that can do that.

Eleven entrepreneurs (i.e., Colin, Justin, Ben, Jeremy, Ivan, Craig, Wayne, Thomas, Kevin, Jimmy, and Peter) mentioned that a personal interest shaped the type of product or attraction of the ventures they launched. In every case, the personal interest related to an activity with which they were familiar, and with which they had engaged as a sport or recreational endeavour. The following quotes illustrate the typical stories of the relationship between the entrepreneur and personal interest:

I started life, grew up in Christchurch as a racing cyclist. So I’ve always been passionate about cycling as a sport. (Ben)

I’d also been involved with boating stuff pretty much all my life. And I’d been very involved with doing a lot of diving, basically I dived all my life and when I came to New Zealand. (Ivan)

I had to set up a business with a motorcycling name well before I decided to go ahead because I wanted to do something with motorcycles, but wouldn’t start without doing homework, coz I’m very passionate about research. I did a lot of touring on motorcycles around the world and I wanted to make a living from it. (Jeremy)

My parents had a deer farm on the edge of Lake Karapiro and they had a little boat ramp that went down to the lake. So I spent a lot of times in the weekends and evenings water-skiing, body-boarding, kayaking, canoeing, and stuff for friends and family. (Peter)

Each entrepreneur expressed a different passion or interest, and each passion or interest was an essential dimension of the value system influencing the entrepreneur’s business decision. Although passion and interest are regarded as having an emotional content, both acted in conjunction with rationality in the journey to launch a venture. Arguably, passion and interest by themselves are fallible blueprints for taking action.

6.1.3.1 Concluding comments on interest and passion

Every entrepreneur in this research mentioned a specific area of passion or interest that engaged them to start up their venture. This is in line with current research (Cardon, 2008; Chen et al., 2009; Fineman, 2005) that the sense of engagement with the venture’s activities is the result of the emotional dimension called passion. The textual interpretation of the transcriptions suggests that, for the entrepreneurs in this research, an emotional state
determined the sense of commitment, involvement, and attachment toward a specific activity, product, belief, ideology, or value. These notions ultimately shaped the venture. Entrepreneurs referred to passion and interest as frameworks for their identity and expressions of the self, which reflected who they were. Passions and interests gave meaning to the definition of them as individuals. As will be discussed in Chapter 8, it has been observed that passion and interest had implications for entrepreneurial decision making. Passion and interest kept entrepreneurs moving forward within a specific pathway despite an uncertain external environment.

6.3 Integrating the Entrepreneur’s Background

The previous sections explored the entrepreneurs’ stories of their background as a foundation for answering the research question “How does the entrepreneur’s background relate to the decision-making logic that is adopted?” The interview data provided insights into three key themes: education, work experience, and passion and interest. These three themes represented the pre-launch lived experiences of the entrepreneurs and, importantly, the areas that the entrepreneurs viewed as precursors to moving into entrepreneurial action. Formal education and previous employment have been classified under the question “What do I know?” as suggested by the theory of effectuation. Interest and passion have been classified under “Who am I?”, in addition to the construct of motivation discussed in Chapter 5. Table 6.1 shows a summary of the empirical data on entrepreneur’s background in relation to the four broad decision-making modes as developed in Chapter 5.

Based on the data included in Table 6.1, it may be concluded that there are similarities in the entrepreneurs’ background within each of the decision-making approaches. The data show that the entrepreneurs’ ability (i.e., formal education and previous employment) relates to the approach to decision making and firm formation. Whether articulated or otherwise, self-reflection on their capabilities and readiness to launch a venture might have been conducted by these entrepreneurs. They assessed whether their strengths and weaknesses would lead them to be able to capitalise on the human capital they had.

Given the empirical data, the constructs of motivation and interest and passion, which are also internalised factors in the entrepreneur, also relate to decision making and firm formation. Even when having the ability to launch a potentially successful firm, the entrepreneur’s motivation might have either driven or curtailed the propensity to act. Motivation, interest, and passion may be regarded as the existence (or lack of) of an inner
drive that inspires action. The data suggest that their motivations, interests, and passion influenced the behaviour of these entrepreneurs. Although those constructs might not have led to action in all circumstances, acting on an opportunity was contingent on the ability to do so. Motivation, interest, passion, and ability were factors that entrepreneurs possessed before the decision-making process to launch a venture started. They all appeared earlier in the time scale leading to the decision of launching a venture.

Table 6.1: Decision-Making Logic, Expertise, and Background

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>What Do I Know?</th>
<th>Who Am I?</th>
<th>Interest and Passion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal Education</td>
<td>Previous Employment</td>
<td>Motivation (Chapter 5)</td>
</tr>
<tr>
<td>Lifestylers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John and Jean</td>
<td></td>
<td>Farmer</td>
<td>Independence</td>
</tr>
<tr>
<td>Tipene</td>
<td>Business degree</td>
<td>Large company</td>
<td>Independence</td>
</tr>
<tr>
<td>Graham and Mary</td>
<td></td>
<td>Retailer</td>
<td>Independence</td>
</tr>
<tr>
<td>Stephen</td>
<td></td>
<td>Trades</td>
<td>Independence</td>
</tr>
<tr>
<td>Portfolio Builders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bjorn</td>
<td>Business degree</td>
<td>Trades</td>
<td>Financial</td>
</tr>
<tr>
<td>Geoff</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Donovan</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Henare</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial/Community</td>
</tr>
<tr>
<td>Business Managers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colin</td>
<td>Business degree</td>
<td>Self-employed</td>
<td>Financial</td>
</tr>
<tr>
<td>Justin</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Ben</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Jeremy</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Ivan</td>
<td>Business degree</td>
<td>Large company</td>
<td>Financial</td>
</tr>
<tr>
<td>Self-Employed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Craig</td>
<td>Arts degree</td>
<td>Self-employed</td>
<td>Independence</td>
</tr>
<tr>
<td>Wayne</td>
<td></td>
<td>Army</td>
<td>Independence</td>
</tr>
<tr>
<td>Thomas</td>
<td></td>
<td>Trades</td>
<td>Independence</td>
</tr>
<tr>
<td>Kevin</td>
<td></td>
<td>Trades / Sports</td>
<td>Independence</td>
</tr>
<tr>
<td>Jimmy</td>
<td></td>
<td>Self-employed</td>
<td>Independence</td>
</tr>
<tr>
<td>Peter</td>
<td></td>
<td>Farmer</td>
<td>Independence</td>
</tr>
</tbody>
</table>

At first glance, the results show that the Portfolio Builder and Business Manager groups were populated by entrepreneurs with formal education, with previous employment in large companies, and primarily motivated by financial objectives. The significant distinction between these two groups was that the Portfolio Builder started their ventures with a passion for an environmental or cultural cause whereas the Business Manager started with a specific activity in mind. This distinction is important because, as seen in Chapter 5, Portfolio
Builders have made or created opportunities within a wide setting related to their passion while the Business Manager discovered opportunities within a specific area of interest. A difference in interest and passion had consequences in the way that decisions were made, specifically about the way in which the opportunity recognition process was conducted.

Likewise, the Lifestyler and Self-Employed groups differ almost exclusively on the interest and passion factors. This difference, again, resulted in the way that each group recognised opportunities – the former by discovering them, the latter by creating them.

The data suggest that formal education, previous employment, and motivation may not be independent. Entrepreneurs with formal business degrees worked almost exclusively in large companies and were primarily motivated by financial gains. An individual with a business studies degree may be inclined to work in a business setting due to either personal choice or suitability for that type of employment. The direction of the relationship between those two variables is likely to be one in which formal education influences work experience because formal education is likely to appear earlier in a time scale leading to employment.

Similarly, only the entrepreneurs who worked in large companies were motivated by financial gains, and this again suggests that these two variables may not be independent. However, the direction of the relationship cannot be determined. Entrepreneurs who worked in large companies might have had a particular outlook around financial motives due to the influence of the work setting. Conversely, people who are motivated by extrinsic financial rewards may choose to work in settings from which financial rewards may be obtained.

6.4 Concluding Comments on Entrepreneur’s Background

This chapter has identified the significant background factors that were part of the entrepreneur’s human capital before starting the venture. The factors identified through the data analysis were: formal education, work experience, and interest and passion. These factors appear to relate to the four distinct decision-making approaches introduced in Chapter 5.

Despite the heterogeneity of the sample, the observations included in the previous section show that there are similarities in formal education, work experience, motivation, and interest and passion within the entrepreneurs who followed a specific decision-making process. Entrepreneurs with formal business education and who worked in large companies in managerial positions seemed to be motivated by financial objectives. Within these two
groups of entrepreneurs, some entrepreneurs were driven to build ventures that would meet
an environmental, cultural, or social cause, and some others decided to build ventures that
involved a specific product or activity with which they were familiar. The former group was
labelled Portfolio Builder in Chapter 5, and it is a group who adopted a decision-making
approach involving opportunity creation. The latter group was labelled Business Manager,
and it is a group who adopted elements of opportunity discovery and rational decision
making. Chapter 7 will show that these two groups both made a positive assessment of
venture performance outcomes, but only the Portfolio Builders were satisfied with their
ventures.

Another group of entrepreneurs was motivated by the desire to achieve an independent
lifestyle; these entrepreneurs had a range of non-large company work experience and did not
have a formal tertiary education. Again, a subset of these entrepreneurs was pursuing a
venture in a setting related to a cause they felt passionate about, whereas another subset
wanted to work with a product or activity related to their interests. The former group was
labelled Lifestylers and the latter the Self-Employed in Chapter 5. The Lifestylers
incorporate elements of opportunity creation and the Self-Employed elements of opportunity
discovery in their decision-making process. Chapter 7 will show that these two groups did
not make a positive self-assessment of venture performance outcomes, and only the
Lifestylers were satisfied with their ventures.

This study suggests that some entrepreneurs applied selective practices and processes
learned in previous business-related jobs or in formal education to the decision-making
process to launch a venture. Entrepreneurs applied their background and expertise,
especially knowledge gained in previous employment and formal studies, into cognitive
frameworks. However, only entrepreneurs who had both held business-type positions and
formally studied business launched ventures that resulted in high performance outcomes.
These entrepreneurs were actively engaged in incorporating input from others; such input
ranged from feedback on products or services to specific advice on the business aspects of
the venture. Usually, entrepreneurs with formal business background and studies relied on
both their knowledge and on external advice. This shows features of self-efficacy as well as
an awareness of their limitations.

Entrepreneurs who owned a portfolio of ventures perceived themselves as possessing a high
level of managerial competence. This finding reflects not only self-efficacy but also the
appreciation of managerial skills gained in previous employment and formal education as a critical determinant to assist with multiple venture ownership. These entrepreneurs were more likely to report significant similarities between previous employment and the role they performed in their ventures, whether similarities in an industry setting, managerial duties, or transferable skills.

Overall, the data suggest that there is a relationship between background and decision-making approach, and between decision making and the resulting performance outcomes. Moving on from this point, the following chapter integrates the findings of the empirical data and relates the entrepreneurs’ background with their approach to decision making and the subsequent performance outcomes.
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CHAPTER 7: FINDINGS (III) – ENTREPRENEURIAL DECISION MAKING AND PERFORMANCE OUTCOMES

This chapter explores the question “How do performance outcomes relate to the decision-making logic that is adopted by the entrepreneur?” Its purpose is two-fold: first, to explore the meaning of the performance outcomes construct as viewed by the entrepreneurs and, second, to explore the relationship that exists between performance outcomes and the entrepreneurial decision-making logic. Arguably, the effects of the decision-making logic followed by entrepreneurs are more evident and clearer than those followed by managers in large, established firms. However, as was noted in Chapter 2, it should be recognised that factors outside the entrepreneur’s control can intervene and influence performance outcomes. Examining the resulting outcomes from entrepreneurial action should provide evidence to conclude the effectiveness of the decision-making logic taken by the entrepreneurs pre-launch.

7.1 Capturing the Entrepreneur’s Views on Performance

The 19 entrepreneurs described in Appendix 1 were required to address an interview protocol consisting of three broad, open-ended questions, as described in Chapter 4. The specific question that was asked to capture the entrepreneur’s view on performance outcomes was “How did the venture evolve and perform over time?” This open-ended question was needed to acknowledge the heterogeneity of the sample, which was assumed to involve entrepreneurs with a variety of behaviours and motivations, all of which might lead to a range of outcomes. The question allowed for the emergence of a range of topics and notions in the interviewee’s answers. A subset of questions was asked to prompt further and richer answers when the answers were deemed to be limited:

a. How did the venture perform with regard to items such as sales growth, number of staff employed, and profitability?
b. Are you satisfied now with regard to meeting the expectations you had before starting the venture?

The first sub-question attempted to capture firm performance outcomes whereas the second sub-question focused on entrepreneur performance outcomes. Further prompts were made about the second sub-question with regard to the general standard of living and funds withdrawn from the business as either shareholder’s salaries or dividends. In the case of
portfolio entrepreneurs, venture performance outcomes data were sought for the individual businesses as well as for the portfolio overall. It must be borne in mind that (for this study) the notion of performance outcomes, whether it applies to the venture or to the entrepreneur, refers to a subjective appreciation. Performance outcomes are not measured quantitatively but assessed by the entrepreneur’s perception.

After transcribing the interviews, I conducted the processes of theme identification and thematic clustering, as explained in Chapter 4. Before the interviews, I had collected some secondary data on the ventures, but not conducted a detailed analysis of these data. I had conducted some Internet searches that gave me a broad idea of the level of prominence and presence of the business within the tourism sector, and I had gathered historical information using the WayBack Machine™ and Google Analytics™. I had used Google Alerts™ and Alexa™ to provide me with commercial web traffic data and analytics for all businesses represented in the sample. Data from TripAdvisor™ (i.e., customer reviews) were incorporated into the secondary data pool as well.

7.2 Venture Performance Outcomes as Assessed by the Entrepreneurs

The entrepreneurs’ views reflected various levels of business acumen and understanding of what venture performance outcomes meant to their experiences of being an entrepreneur. The themes emerging from the analysis and the corresponding entrepreneurs are listed in Table 7.1. The following sub-sections present the entrepreneurs’ self-assessment of venture performance outcomes for each theme. The themes represent how the entrepreneurs operationalise the “venture performance outcome” construct.

<table>
<thead>
<tr>
<th>Venture Performance Themes</th>
<th>Entrepreneur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards won</td>
<td>Colin, Bjorn, Justin, Peter, Donovan, Ben</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>John and Jean, Graham and Mary, Bjorn, Thomas, Justin, Ivan, Donovan, Geoff, Henare</td>
</tr>
<tr>
<td>Staff number evolution and growth</td>
<td>Colin, Bjorn, Kevin, Justin, Donovan, Geoff, Henare</td>
</tr>
<tr>
<td>Sales evolution and growth</td>
<td>Graham and Mary, Colin, Bjorn, Kevin, Justin, Peter, Jeremy, Ivan, Donovan, Ben, Jimmy, Geoff</td>
</tr>
<tr>
<td>Profits</td>
<td>Graham and Mary, Colin, Bjorn, Justin, Jeremy, Donovan, Ben, Geoff</td>
</tr>
</tbody>
</table>
7.2.1 Venture performance outcomes as assessed by awards and certifications

For six entrepreneurs, awards were an essential measure of the performance outcomes of the venture. Entrepreneurs in the tourism sector regard endorsements and external validation of their ventures as a crucial achievement in the life of the business. Travel and tourism operators rely heavily on awards because customers, especially international customers, use awards as a proxy for the quality features of the venture. Customers require significant information content of the product (Porter, 1985) to make an informed purchasing decision. An award represents an item within this information content of the product that is believed to translate into customer demand. Awards were viewed as a significant achievement. For example, Bjorn’s venture had received over twenty national and international business and tourism awards.

We were very much aware of the value of marketing so we did quite a bit of stuff, tours of New Zealand, supplying them with material, working with them and we went to the Tourism Industry Awards, first time we were finalists, second time we won in the Qualmark. And then the year after that, in 2006, we were New Zealand supreme tourism business. (Bjorn)

This is in contrast to the views expressed by one entrepreneur, who felt that external recognition was not a proxy for success.

Qualmark is not worth a bar of soap. It used to cost us $800 odd a year and we never got anything back from it, from it at all, so we ceased it. (John and Jean)

Although most entrepreneurs experienced an increase in sales due to being the recipient of an award, there were exceptions. The following two quotes illustrate conflicting outcomes:

We were the first company in Auckland to get Qualmark Enviro Gold, in fact now two years later, a second tour operator’s got Qualmark Enviro Gold, which is, they’re making a big deal out of it, but we’ve had it for two years. (Donovan)

You know, so we had Qualmark, Enviro Silvers and we went through the whole, we did everything, we threw every bit of money we had at it. We lived on the bones of our ass for 6, 7 years now to try and get in, we had one aim, was to get into the international market, but unfortunately we haven't made it. (Peter)

Secondary data reveal that 14 of the 19 ventures achieved Qualmark status, including one failed venture. Media articles and several blog posts were used as additional secondary data to triangulate the claims made by the entrepreneurs. However, it is interesting to note that the theme of awards as a measure of venture performance outcomes was explicitly mentioned by only six of the entrepreneurs who received them. This may be interpreted as an indication that some awards and endorsements were experienced just as a necessary
dimension of doing business in this sector, rather than as an indicator of performance outcomes.

7.2.2 Venture performance outcomes as assessed by uniqueness

Nine entrepreneurs mentioned the theme of uniqueness as a measure of venture performance outcomes. Uniqueness was seen as a dimension of competitiveness, which translated into the ability to attract customer demand with an exclusive offering. Although no entrepreneur referred to the theme of uniqueness within the context of either an articulated business strategy or intended positioning strategy, all nine explicitly identified uniqueness as an immediate outcome of the decision-making process pre-venture launch.

Six entrepreneurs viewed their respective ventures as unique in the sense that they believed that there was no competition, that no other operator was providing a similar product or attraction. On the other hand, two entrepreneurs viewed competition differently; they saw competition as every operator attempting to meet the demand for a tourism-related eco- or adventure-type of activity. Three entrepreneurs mentioned that they focused on ensuring that the venture would be different right from the point of launch. The following quotes illustrate this outlook:

Yeah, I hadn’t seen anything else like it around. I had always looked around and I had never seen anything like it. Nobody was teaching anybody how to surf. (Thomas)

But still we wanted to provide genuine experiences and experiences that people would really treasure going forward. And we found, and still feel, that something like that didn’t exist in Auckland before we came along. (Bjorn)

So no one is doing it very well. No one is really doing it, no one really has the expertise that I have, that’s for sure. (Geoff)

Four entrepreneurs have continued focusing on how to create and enhance uniqueness in the post-venture launch phase. For these entrepreneurs, uniqueness was seen as a proxy for company performance outcomes; they were continually striving for it. The following quotes are illustrative of the path that some entrepreneurs experienced in the search for uniqueness:

So it’s not about being followers, it’s not about copying what someone else is doing. We’re not interested in having an average business, we want something special. (Geoff)

In terms of size we don’t want to be the biggest, we want to be the best. But you know they then have more staff, more problems than we, we want to be iconic, we want to be unique, we want to be iconic, actually, we’re using that term more and more. (Donovan)

And I mean I don’t want to brag or self-promote, but there is no other eco tour in Auckland like what we do because no other eco tour comes back to a family home where you can have afternoon tea. (John and Jean)
Finding suitable data on competitors to validate the entrepreneurs’ stories was a time-consuming task. It was difficult to assess the extent of the uniqueness of a particular product or service. I adopted the definition of uniqueness as established by Porter (1985) as the entire product or service being offered comprising product/service features, price, and for a unique customer segment. However, it is impossible to distinguish between the real product and service being offered versus the images portrayed by marketing and promotional activities. Nevertheless, the review of competitors’ websites revealed that there were elements of the products and services provided by the entrepreneurs in this study that were different from the competition. Claims made by the entrepreneurs’ websites, as well as independent reviews in websites like TripAdvisor™ revealed that some of the unique features mentioned by the entrepreneurs were corroborated by customers’ comments.

7.2.3 Venture performance outcomes as assessed by staff numbers evolution and growth

To manage growth in demand, seven entrepreneurs hired staff who brought additional skills and knowledge to the ventures. Employees were hired for administration or to assist with running the attractions and experiences. Additional staff allowed the entrepreneurs to engage in an expanding set of activities, including marketing, sales, and attraction development. Table 4.2 in Chapter 4 shows permanent staffing levels at the time of the interviews.

Every entrepreneur who hired staff regarded the size of the company as a proxy for venture performance outcomes and success. This view suggests that entrepreneurs acknowledge employee numbers as a meaningful measure of venture performance outcomes. These entrepreneurs also mentioned that additional casual staff were hired during the peak season. As Colin said:

So we started off with about, it was about a team of four or five instructors, like total teams. And from 2009 to today, the summer just been, we had 25 staff on board and we were running, on average, about 250 people through on a Saturday or Sunday. In summertime we get up to about 45 people and in wintertime it goes down to about 10.

For four entrepreneurs, the ability to withstand the effects of seasonality was seen as an indicator of success. The consumer demand pattern for tourism products reflects the cycles that are characteristic of typical seasonal products. Seasonality calls for a nimble organisation of resources to cope with fluctuating revenue during the year. The entrepreneurial capability to smooth out peaks and troughs of demand during the year or, at
least, to match the internal organisational resources to such cycles, was seen as an indicator of success. Interestingly, rather than viewing staff growth as a measure of success, two entrepreneurs viewed the following actions as indicative of success: (1) the introduction of countercyclical products and activities and (2) flexible working arrangements that allow the firms to survive. For those entrepreneurs, and as shown in Chapter 5, risk was a critical consideration. The following quotes illustrate those two actions:

Yeah so initially started as New Zealand [company name] and then after about three years we were all good for seven months of the year and then winter comes and nothing. So it’s like gosh this is, you know. So we re-branded to New Zealand [company name] and now we do ski trips for about three months of the year, surf trips for about seven months. (Thomas)

In terms of size I do think we need to grow more than we are now because we need to get to a point where we can generate enough cash flow in the low season, in high season, to take us through the low season and being able to sleep a bit better. I’m currently thinking of one other product to help with cash flow during the low season. I’m thinking also of recruiting staff on a contract basis. (Jeremy)

7.2.4 Venture performance outcomes as assessed by sales evolution and growth

Sales were the single performance outcomes measure that was acknowledged by a majority of entrepreneurs as an indicator of success. Twelve of the 19 entrepreneurs mentioned sales as a gauge of the venture success; they also referred to the evolution of sales over time as a measure of performance outcomes. Of these 12 entrepreneurs, nine (i.e., Graham and Mary, Colin Bjorn, Kevin, Justin, Jeremy, Donovan, Ben, Geoff) were satisfied with the level of sales achieved by their ventures.

Viewing sales growth as a performance outcomes measure is not surprising because growth in sales indicates whether an organisation relates well to its external environment by expanding the scope of the market for its products (Hofer & Schendel, 1978). Also, viewing sales measures as a proxy for venture success is consistent with the study by Naman and Slevin (1993). Specifically, when developing an operational definition of venture performance outcomes, Naman and Slevin pinpointed sales levels as well as sales growth rate as the two most relevant economic measures of performance outcomes. Haber and Reichel (2007) point out that revenue and sales growth are two important indicators of venture performance outcomes, even in tourism ventures, which focus primarily on the achievement of the entrepreneurs’ lifestyle aspirations as well as on enriching the entrepreneurs’ social lives. The words of Donovan and Colin illustrate the focus on attracting demand as a symptom of successful performance outcomes:
I mean last year we grew our customer numbers 141%. And this year the first four months we’re already up over 40% over last year. So 141% plus, and another 40% on top. (Donovan)

I guess the way that we’ve always assessed the performance of the business has been on the amount of visitors to the park. (Colin)

As was the case with staff number evolution and growth (see the previous sub-section), sales were seen as a performance outcomes measure subject to the effects of seasonality. Seasonal sales were, in fact, the determinant of the need to manage staff numbers flexibly. The ability to withstand seasonality, yet again, is seen by tourism entrepreneurs as a reflection of managerial capability. This is illustrated by the words of Graham and Mary:

In the peak season you achieve a lot of sales and this is the type of business, we have to achieve sales and make money in the summertime.

The three entrepreneurs whose ventures had failed singled out weak demand as the main reason for closing down their operations, thus emphasising sales as a determinant of the lack of venture success. So, for those three entrepreneurs, sales was also regarded as a measure of performance outcomes. The words of Ivan and Peter, whose ventures failed, illustrate the importance of sales as a performance outcomes indicator:

The second season we doubled our sales, quadrupled our sales I think over the first season, made a reasonable profit, not huge but started to pay ourselves a little bit from the company and I went into it full time from that point. From there on, I have to say sales dried up and it was a bit of a disaster. (Ivan)

The domestic market can’t hold it up, there’s just not enough revenue there, you need the Internet and we just haven’t been able to succeed in getting an international sales over that, you know. And unfortunately the domestic market has declined all the way through. (Peter)

The 12 entrepreneurs who regarded sales as a performance outcomes measure also reflected on the evolution of sales and growth patterns. They experienced growth in the initial stages of the ventures and reached maturity, except the three failed ventures plus Ben and Jeremy, whose ventures were in the start-up phase at the time of the interviews. The rest of the entrepreneurs reached a point of a stable level and pattern of sales, when some employed additional staff, as indicated in the previous sub-section. However, the three failed ventures plus Thomas and Jeremy experienced a sudden and unexpected decrease in sales as a result of environmental conditions. Several factors were pinpointed as hurting the businesses, from international events such as the global financial crisis to local events like the 2011 Rugby World Cup. Jeremy implemented actions to arrest the decline in sales whereas Thomas weathered it, even when the slump in sales exacerbated the somewhat moderate level of
revenues he had been experiencing (Thomas was not one of the 12 sales-growth entrepreneurs). Their outlook is reflected in the following quotes:

The recession hit in the UK, the Yorkshire Bank got into trouble, got nationalised, and we watched probably 70 enquiries just disappear. But you know, it was successful and then we started to make some inroads into the American market, started to get Americans, sort of, it became sort of 50% Americans, 40% UK and 10% the rest of the world. (Jeremy)

And yeah literally just before the Rugby World Cup that season the numbers of the five-day tours died and the same with the one-day tours. We were hurting, a lot of people were hurting in the tourism industry, you know hostels, that sort of stuff. Yeah we were hurting and then the Rugby World Cup came and went, then numbers came back up. (Thomas)

The entrepreneurs whose ventures failed also brought up similar issues, mainly justifying the demise of the ventures on external factors. Peter specifically mentioned filming *The Lord of the Rings* in the Waikato area as a factor that diverted sales from his venture to other attractions in the region.

So it’s been difficult, you know, you feel as though you get isolated and then Hobbiton’s booming and you hear that they’re always over there. I don’t know, it sounds a bit negative but that’s the way it is, you know, it hasn’t been helpful for the little guy around here, you know? (Peter)

But straight after that I think that was when the recession started to bite and all the bubbles burst and all the rest and suddenly nobody, everybody was just reining in on their expenses and people didn’t want to go on trips as much as they had before. (Ivan)

I think a lot of businesses struggled because of it. I know like Ponsonby and Parnell, places like that, they struggled eh, because they had Party Central and everybody was going there and nobody was going to Ponsonby and Parnell. (Jimmy)

The secondary data sourced from Google Analytics™ and Alexa™ reveal that there was a positive relationship between web traffic to the entrepreneurs’ websites and the overall reported level of sales over time. The WayBack Machine™ showed how the websites evolved in relation to the increase of the businesses’ profile, and this increase was broadly related to the entrepreneurs’ claim of sales evolution.

### 7.2.5 Venture performance outcomes as assessed by profits

Eight entrepreneurs viewed profits as a relevant measure of venture performance outcomes. This view is in line with the study by Haber and Reichel (2005), who found profit was one of the key measures of venture performance outcomes for tourism firms. Several factors may confound the relationship between decision making and profits, some of which are outside the entrepreneur’s control. Changes in legislation, exchange rates, or other
unexpected changes in environmental conditions may have a significant effect on profits. The impact on profits is tenuously related to the quality of entry decision making or the quality of the opportunities identified. Accounting procedures may defer the timing of profit reporting as well as hide profits to delay or reduce taxes.

The reference to profit as a performance outcomes measure by entrepreneurs is unsurprising, although one (i.e., Graham and Mary) out of the eight entrepreneurs who mentioned profits as a performance outcomes measure had not started their ventures with an expressed profit motivation. It would be logical to expect that an entrepreneur’s goal is to generate profits from the marketplace in which the entrepreneur operates, even when profit maximisation is not the ultimate motivation. Survival of the venture depends on generating revenues higher than expenses, either as monopoly or arbitrage, to become a growing on-going concern. The words of Colin and Ben illustrate how some entrepreneurs viewed profits as a performance outcomes measure:

I guess it generates enough profit for us to take a portion of that profit to reinvest so that we can continually grow the business in terms of its collateral. (Colin)

Just in terms of numbers, I won’t give you the full numbers, but I made an operating profit last year and the season just finished. So I’ve covered all my outgoings, direct and indirect costs. (Ben)

One entrepreneur, Henare, whose primary motivation to start the venture was to create employment for young Maori in Northland, reflected on the notion of profits in this way:

Ah, yeah, I mean I’m just about broke, but anyway, I’m happy how things are going.

Another entrepreneur, Donovan, who focused on profits, made decisions to discontinue specific products and activities to achieve a higher level of profits overall. This embeds the idea that profits were, for him, a significant measure of success.

So that’s why we’ve been thinking about it for a long time anyway, not to continue with that part of our business because it was non-profitable and needed a huge amount of work and big capital investment so we’ve decided to axe that and I’m very happy with that decision.

7.3 Entrepreneurs’ Self-Assessment of Performance

The answers to the question on the entrepreneur’s performance outcomes provided a rich description of the degree to which the venture met the entrepreneur’s expectation before starting the venture. Analysis of the interview transcriptions reveals that, when referring to the self-assessment of performance outcomes, some entrepreneurs pointed to the notion of job satisfaction, where job satisfaction referred to the level of positive attitude that
entrepreneurs held towards the entrepreneurial activities with which they were engaged – fundamentally, a within-entrepreneur construct. However, all entrepreneurs in the sample did not experience job satisfaction as a single construct, but as an aggregate of dimensions. Each facet is discussed in the following sub-sections. Nine entrepreneurs in this research referred to at least one of these dimension of job satisfaction as a measure of performance outcomes. These were: John and Jean, Graham and Mary, Tipene, Bjorn, Craig, Jeremy, Donovan, Ben, and Henare.

7.3.1 Self-assessment of performance outcomes by job nature

The entrepreneurs in this research developed their ventures with complete freedom of the identified opportunity. The entrepreneurs in this sample consistently singled out the notion of autonomy as a measure of performance outcomes. The freedom they achieved about organising work and life schedules as well as being engaged in a flexible working arrangement were mentioned as the prime measure of self-performance outcomes. As Bjorn puts it:

I’m not super-rich by any means but I’m very rich in the fact that I can get up every morning and decide what I want to do. There’s a lot of people that can’t. (Bjorn)

It is not surprising that some entrepreneurs in this research identified autonomy as a measure of self-assessed performance outcomes. Autonomy has been found to explain entrepreneurial phenomena and entrepreneurship as a career choice (Benz, 2009).

My dream was to get someone to pay me to ride a motorcycle around New Zealand and for four years I have managed that. (Jeremy)

For many entrepreneurs in this study, autonomy explained both entrepreneurial activities as a career choice and as a measure of performance outcomes as entrepreneurs. The following quotes illustrate these concepts:

My mind-set is I didn’t leave the corporate world to then have someone else back into our business telling us what to do. If someone came along and said okay, I want to invest half a million dollars in your business, I would definitely listen to what that person has to say. But never, ever for a controlling share in our business. (Donovan)

So it’s 365 days a year and getting to a point where we’re able to take a holiday, to get away, it takes more work to be able to say, okay the person that’s in the office for that week and three guys waiting to do tours without us being physically there. That’s the next step for us and something that’s very important to us. (Graham and Mary)

The notion of autonomy also addresses the importance that entrepreneurs give to being in a top managerial position. The process of starting a venture puts the entrepreneur in a role
where they can engage others in the decision-making process and yet have the power of final
decision making. The words of Donovan illustrate this concept:

Ultimately I’m the one who makes that decision. Now what I choose to do is to ask my
wife for her opinions and I choose to ask other people for their opinion when I’m making
an important decision for our business.

Entrepreneurs in the sample referred to the notion of working long hours, but always with a
positive connotation. This is line with Loher, Noe, Moeller, and Fitzgerald (1985) who
found that autonomy leads to less burnout and overall improved business performance
outcomes. The following quotes illustrate the notion of working long hours:

But the amount of hours my wife and I put in into this business every week is beyond
what’s normal. It’s beyond what’s healthy long term. (Craig)

On the personal side, a couple of things, I was never, like I said before, I would never
have expected to be working as long during the year as I did, so that was a bit surprise.
(Tipene)

So what do we do? Because with the catamaran I just mentioned, I would like to spend
more time on that and more sailing around and even going offshore but you can’t because,
I mean, you’re tied to the business, you have to be here. (Graham and Mary)

7.3.2 Self-assessment of performance outcomes by temperament

Some entrepreneurs referred to their attitude and personality as a determinant of their
satisfaction with their ventures. They mentioned that their outlook on life influenced both
the satisfaction they get from being entrepreneurs and the way they responded to the
venture’s environmental stimuli over time. The following quotes illustrate how the
entrepreneur’s disposition affects the outlook on the entrepreneur’s ventures:

I’ve worked hard for 35 years and I just, first and foremost, is enjoy, because I’m pretty
sure that if I don’t enjoy it the customers don’t enjoy it. (Tipene)

We are at a stage that we have the asset of the farm and our lifestyle is quite good so
we’re really not interested in climbing the ladder we are just happy with this and with
whatever life throws at us. (John and Jean)

So those things are far more important and having a good life and market yourself, try
new things and succeed and don’t succeed. Yep living life to the fullest in that respect,
those are the important aspects for me. (Bjorn)

7.3.3 Self-assessment of performance outcomes by environmental fit

In this study, several entrepreneurs referred to the fit between the work environment and the
venture in which they were involved, reflecting the personality-environment fit theory.
Within this context, entrepreneurs referred to a range of factors to express the notion of
satisfaction with the opportunity presented by working in the venture they started. Concepts
such as “the opportunity of doing something I feel passionate about” or “the chance to work in the outdoors” were commonly mentioned to express satisfaction with the level of their performance outcomes. Specific factors that were consistently mentioned included people contact with staff and customers, contribution to a community cause, and contribution to the environment. These factors represent the concept of the environment in the notion of personality-environment fit. The following quotes illustrate how three of the entrepreneurs considered the interaction with external factors as a way to self-assess performance outcomes:

It’s sort of triple bottom line reporting, it’s got to be financially good to stack up. But it’s not the end, that’s not the whole thing or the purpose in our particular respect. We actually support a whole community over there with our business. We’re the catalyst for it, employ a number of people. (Bjorn)

The bit I liked is, you know, was meeting the people. You meet some really neat people, the tourists, the people that are on the boat, they enjoy it, they’re happy, you know, and there’s been people come on the boat that look grumpy and when they leave they’re happy, you know? (Graham and Mary)

Most people are very happy and nice and always come and chat to you. That’s the side of the business that my wife and I enjoy, is meeting all these different people and some real neat people and all their different stories. (Geoff)

7.4 Integrating the Performance Construct

The previous sections explored the entrepreneurs’ views on performance outcomes as a foundation for answering the research question “How do performance outcomes relate to the decision-making logic that is adopted by the entrepreneur?” The approach to answering this research question provided insights into both the lived experiences of the entrepreneurs and how those experiences defined the performance outcomes construct. Overall, the results from the research data show the way in which adventure tourism and eco-tourism entrepreneurs viewed both venture performance outcomes and self-performance outcomes.

As shown in the previous chapter, entrepreneurs consider different factors when launching a venture. The combination of specific factors led to four broad approaches to decision making, which were labelled as: the Lifestyler, the Portfolio Builder, the Business Manager, and the Self-Employed. Table 7.2 relates each approach to decision making (bold text in column 1) to the entrepreneur’s views on venture performance outcomes (columns 2-6) and self-performance outcomes (column 7).
7.4.1 A first look at the relationship between decision making and performance outcomes

The data in Table 7.2 indicate that, within each of the decision-making approaches, there are similarities in how entrepreneurs view performance outcomes. At first glance, the results show that the Portfolio Builder group was the only one to view both venture performance outcomes and self-performance outcomes measures positively. In contrast, the Self-Employed group did not view either venture performance outcomes or self-performance outcomes positively. Business Managers viewed only venture performance outcomes measures positively while Lifestylers viewed only self-performance outcomes positively.

Table 7.2: Relationship between Decision Making and Performance

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<thead>
<tr>
<th>Entrepreneur</th>
<th>Venture Performance</th>
<th>Self-Performance</th>
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<tr>
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<td>Awards</td>
<td>Uniqueness</td>
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<tr>
<td>Lifestylers</td>
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<tr>
<td>John and Jean</td>
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<tr>
<td>Tipene</td>
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<tr>
<td>Graham and Mary</td>
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<td>Stephen</td>
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<tr>
<td>Portfolio Builders</td>
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<td>Bjorn</td>
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<td>Geoff</td>
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<td>Donovan</td>
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<td>Henare</td>
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<td>Business Managers</td>
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<td>Colin</td>
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<td>Jeremy</td>
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<td>Ivan</td>
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<td>Self-Employed</td>
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<td>Wayne</td>
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<td>Thomas</td>
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<td>Kevin</td>
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<td>Jimmy</td>
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<td>Peter</td>
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(*) The corresponding ventures failed, but the respective entrepreneurs mentioned that sales levels were satisfactory initially. They subsequently singled out the lack of sales growth as the reason for closing down their businesses.

Lifestylers and Portfolio Builders viewed achieving a balance between work and social or environmental commitments as a critical success factor. For these two groups, the
contribution to customers, communities, and the environment was identified as a definition of success. Contributing to those stakeholder groups added to the Lifestyler’s and Portfolio Builder’s individual feeling of success. The entrepreneurs in those two groups also indicated that measuring venture success included considering how well they integrated and aligned their ventures with the environmental, social, or cultural causes they felt passionate about.

Portfolio Builders explicitly recognised the need to achieve financially-related outcomes as well, but success for this group also requires the achievement of a mix of personal and business factors. This view is in contrast to that of the Business Managers, whose measure of success was focused primarily on the way the venture performed financially. The views of the Portfolio Builders and Business Managers also contrast with those of the Lifestylers, who were primarily focused on self-performance outcomes. These findings are summarised in Figure 7.1.

Figure 7.1: Decision-Making Typology and Performance
As seen in Chapter 5, the Business Managers and the Self-Employed made decisions by identifying opportunities, assessing the environment, conducting research, developing financial projections, and putting together a business plan. In contrast, the decision-making approach adopted by the Portfolio Builders and the Lifestylers tended to be non-deterministic and somewhat iterative, which was embedded in an evolving opportunity.

The data included in Table 7.2 and Figure 7.1 suggest six key points.

- A decision-making process embedded in a non-deterministic, iterative, evolving approach to venture formation was associated with better self-assessment of entrepreneurs’ performance outcomes (i.e., Portfolio Builders and Lifestylers).
- A decision-making approach that was embedded in exogenous opportunity identification followed by traditional business planning was associated with lower self-assessment of performance outcomes (i.e., Business Managers and Self-Employed).
- Seeking financial outcomes, such as wealth creation and business growth was associated with better venture outcomes (i.e., Business Managers and Portfolio Builders).
- Seeking personal independence was not associated with positive venture performance outcomes (i.e., Lifestylers and Self-Employed).
- Portfolio Builders scored high on venture performance outcomes measures and self-performance outcomes measures, while the Self-Employed scored low on both dimensions. Arguably, a possible explanation for the low scoring of the Self-Employed is that they overestimated the level of income before starting.
- Business Managers scored high on venture performance outcomes and low on self-assessment of performance outcomes, and this is diametrically opposed to the scores of Lifestylers.

A significant result is that, although it is reasonable to assume that venture performance outcomes and entrepreneur performance outcomes are related, the data suggest that they are separate constructs. A well-performing venture does not necessarily lead to a positive self-assessment of performance outcomes, and a low-performing venture does not necessarily lead to a negative self-assessment of performance outcomes. Instead, the data suggest that entrepreneurs who follow similar approaches to decision making are likely to achieve similar outcomes about venture performance outcomes and self-assessment of performance outcomes. Entrepreneurs who seek financial goals are more likely to achieve positive venture performance outcomes than entrepreneurs who seek independence. On the other
hand, seeking independence does not necessarily lead to a positive self-assessment of either entrepreneur or venture performance outcomes.

7.4.2 An additional consideration: Resource sharing and stakeholder input

When viewing the various approaches to decision making and the resulting performance outcomes, two essential features distinguish the Portfolio Builders from the other three groups. With regard to decision making, the Portfolio Builder group was the only group to seek to leverage resources among other businesses, hence the label “Portfolio” Builder. The Portfolio Builder was the only group to achieve consistent positive outcomes on both venture performance outcomes and self-assessment of performance outcomes. This finding suggests that working in conjunction with other businesses with the view to sharing resources and internal processes serves as a moderating variable.

Resource sharing enhances performance outcomes, but it is not necessarily a determinant of performance outcomes because the Business Manager achieves positive venture performance outcomes without resource sharing. However, the Portfolio Manager achieves higher venture performance outcomes than the Business Manager does. Resource sharing seems to take the venture to a higher level of performance outcomes, although the typology of decision making may confound this effect.

Portfolio Builders and Business Managers also share a distinctive decision-making feature: both groups highlighted the importance of trusted contacts when acting upon opportunities. This particular feature correlates with venture performance outcomes, and it is line with Sarasvathy’s (2008) first principle of effectuation, namely the “Bird in Hand,” which emphasises the importance of the entrepreneur’s network of contacts as a determinant of start-up success.

7.5 Concluding Comments

This chapter has shown (1) the differences in how entrepreneurs view the performance outcomes construct and (2) that there are significant performance outcomes from launching new ventures in the eco-tourism and adventure tourism sectors. Importantly, the range of performance outcomes is related to the four distinct decision-making approaches introduced in Chapter 5. This research provided entrepreneurs with the opportunity to offer their interpretation of performance outcomes, rather than asking them to provide answers to a particular range of measures. This approach yielded a set of measures that capture the
entrepreneur’s views, opinions, and concerns. In parallel, secondary data were sourced through a range of publicly available resources.

The observations included in the previous section assume that the entrepreneurs in the sample were motivated to achieve high levels of venture performance outcomes, self-performance outcomes, or both. Consequently, the decision-making process that is adopted is directed to maximising performance outcomes levels. There is the implicit assumption that entrepreneurs act upon their outlooks in particular ways to maximise performance outcomes. There was a variance in the venture performance outcomes observed, with many entrepreneurs not achieving a relatively high level of venture performance outcomes. The answer to the question of what makes such entrepreneurs maintain an entrepreneurial activity as a career choice is embedded in the desire to be independent at almost any financial cost and possibly rooted in psychological and personal characteristics. However, not every entrepreneur who was motivated by the desire to be independent was satisfied even after achieving independence.

For some entrepreneurs, placing technical skills (i.e., the knowledge of a particular activity or product) before business-related capabilities for the successful running of a venture acted as a limitation to becoming portfolio entrepreneurs (i.e., potentially diversifying into other products and markets), thus preventing an increase in both venture performance outcomes and entrepreneur satisfaction. Emphasising a type of product and activity plus applying elements of causal logic seemed to constrain growth. Interestingly, this type of entrepreneur saw herself or himself as constrained by limited opportunities, yet they represented the group with the highest information search intensity (e.g., scanning the environment, doing competitor analysis) in the sample. It may be logical to assume that entrepreneurs who adopt a systematic, methodological approach to information search for gaining foresight on, for example, trends and competitors would be in the best position to find opportunities from insights generated from the information collected, but this was not the case.

Whether the entrepreneur pursued a specific high-level passion or desired to work in an area of technical expertise (e.g., an area of personal interest or background, such as an activity or product) was not a condition for high or low venture performance outcomes. However, an entrepreneur’s personal objective to view the venture as a channel for personal independence seemed to limit the growth and scalability of the new venture, and consequently, its performance outcomes across objective performance outcomes measures. This desire for
independence or, more precisely, a sense of dislike for working for someone else as an employee, was at the heart of moving into entrepreneurial action for some entrepreneurs. This finding is unsurprising, but such motivation limited the performance outcomes of the venture and, in some cases, the entrepreneurs’ satisfaction. Regardless of what motivated individuals to move to entrepreneurial action, some individuals focused on finding opportunities and others on creating them. Whether an entrepreneur found or created an opportunity had implication for his or her satisfaction. Behind a well-performing venture, there was an entrepreneur focused on economic, wealth-creation motivations. Moreover, behind a satisfied entrepreneur, there was an opportunity that was created rather than found.
CHAPTER 8 – DISCUSSION

The objective of this chapter is two-fold. First, it combines the analysis of the previous three empirical chapters. Second, it consolidates the results of this research to generate insights from it. To achieve these objectives, the chapter is organised into five sections. Section 8.1 analyses the salient features of the various ways in which entrepreneurs in the eco-tourism and adventure tourism sectors make decisions when launching new ventures. That section argues that there are four distinct ways in which entrepreneurs engage in entrepreneurial action. Section 8.2 explores the construct of performance outcomes, which involves two parallel dimensions: firm performance outcomes and entrepreneur performance outcomes. In particular, this section argues that each specific decision-making mode results in a different level of either firm or entrepreneur performance outcomes. Section 8.3 explores the stock of human capital that entrepreneurs bring with them when they embark on the decision-making process leading to the launch of a new venture. Section 8.4 explores the relationship that exists between the individual entrepreneur and their venture, and Section 8.5 integrates the findings from the research.

Each of the sections links with the literature review included in Chapter 2. Chapter 2 was developed around the framework shown again Figure 8.1. Chapter 2 argued that, within the area of entrepreneurship, this study addresses some of the fragmentation in research that occurs in the understanding of the entrepreneurial process, which comprises the entrepreneur (as antecedent), the entrepreneurial decision-making logic, and the resulting performance outcome.

The framework shown in Figure 8.1 has been populated with the data gathered through this study, as shown in Figure 8.2. The colour code matches the corresponding antecedents and consequences for each of the four decision-making logics. Figure 8.2 is used as the basis of discussion in each of this chapter’s sections.
Figure 8.1. Overview of the Literature Review Chapter

- Entrepreneur's background
  - (Emergence)
- Entrepreneur's motivation
  - (The trigger)
- Decision-making logic
  - (Opportunity identification and exploitation; new venture launch)
- Performance
  - (Legitimation)

What is entrepreneurship? Who is the entrepreneur?
Low and McMillan, 1988

Process focus
Gartner, 1988; van de Ven & Engleman, 2004
The antecedents
Entrepreneurial action
The outcomes
Entrepreneurship? Who is the entrepreneur?
Low and McMillan, 1988
Process focus
Gartner, 1988; van de Ven & Engleman, 2004

What is entrepreneurship? Who is the entrepreneur?
Low and McMillan, 1988
Process focus
Gartner, 1988; van de Ven & Engleman, 2004

Figure 8.2. Summary Data
8.1 The Entrepreneur’s Approach to Decision Making

The findings from Chapter 5 reveal several insights into the manner in which entrepreneurs decide to launch ventures. From Chapter 5, when individuals decide to become entrepreneurs, they embark on a process that comprises answering three questions: What opportunity should I pursue? Why should I pursue it?, and Where to once I decide to pursue it?. As discussed in Chapter 6, the specific tasks undertaken by entrepreneurs within each of these steps depends on both their knowledge (specifically, their formal education and previous employment) and who they were (specifically, their motivation, passions, and interests). There was alignment between the entrepreneur and the pathway he or she adopted to take an opportunity to fruition. Although entrepreneurs exercise decision making with autonomy resulting from a stock of creative and original capacity (Kirzner, 1992), their acts of judgment influence a decision-making process, from which the theoretical foundation for four types of entrepreneurial approaches to thinking emerge.

8.1.1. Portfolio Builders: Launching a business through effectual logic

The Portfolio Builder’s approach to decision making is illustrated by the way that Bjorn, Geoff, Donovan, and Henare launched and built their ventures. These four entrepreneurs had been involved in entrepreneurial activities for some years and had built several ventures with various degrees of self-reported success. They represent the expert entrepreneur identified by Sarasvathy (2008). The relationships between the constructs shown in Figure 8.2 are included in Figure 8.3 for the specific case of the Portfolio Builder. The arrow indicates the segment of the figure that is of interest in the current discussion (i.e., the decision-making logic). The performance outcomes and background aspects for Portfolio Builders are discussed in Sections 8.2.1 and 8.3.1, respectively.

Their decision-making process is fundamentally effectual, and it focuses on the entrepreneur’s passion, the resources within reach, and his network of trusted contacts. These fit with the effectual mode of starting a venture as they respond to the three fundamental questions of Who am I? What do I know?, and Whom do I know? (Sarasvathy, 2001b). These entrepreneurs focused on extrinsic motivation (i.e., wealth creation and business growth), but the specific product or service was unknown until the interactions with stakeholders shaped the products or services contingently over time. Focusing on an extrinsic motivation has not been considered within the theory of effectuation, as effectuation is said to start without a goal in mind. Portfolio Builders focused initially on
possible effects that could emerge from given resources, provided that the possible effects were financially rewarding. It is argued that the process undertaken by Portfolio Builders was concurrent in the sense of starting from both considerations: (1) resources at hand and (2) extrinsic motivation. Entrepreneurs settled on an opportunity that met both criteria.

Figure 8.3. Causal Diagram for Portfolio Builder

Dew et al. (2009) point out that in effectual thinking, unexpected, serendipitous events are leveraged, rather than avoided, as platforms for new products, services, and markets. An illustration of this from the data is that having new resources at hand, coupled with a network of relationships, Geoff’s activities led to the creation of a dolphin viewing attraction – a novel product for a unique market. He viewed the opportunity as emerging from a series of events. Geoff’s venture creation path was the outcome of fortuitous events and people he encountered. Geoff did not foresee, or even try to predict, the future course of events; neither did he focus on a specific goal. Instead, he was in control of a series of creative actions through the decisions that he had to face. His decisions responded to a combination of reason, analysis, and emotions as a foundation for controlling the future rather than predicting it. He used his financial resources to avoid acquiring debt, reflecting the effectual principle of never investing more than he could afford to lose (Sarasvathy, 2008).

Overall, the findings from the data confirm that, for the Portfolio Builders, opportunities do not exist a priori and are created, as mentioned in the literature (Eckhardt & Shane, 2003; Shane, 2003, Alvarez & Barney, 2007, 2010). For Portfolio Builders, opportunities are shaped by entrepreneurial action in areas in which planning is difficult, and flexibility and
creativity are more critical (Alvarez et al., 2013). However, a significant finding is that, although it is unclear in the literature whether an extrinsic or intrinsic motivation relates to the way that entrepreneurs make decisions on their opportunities, the Portfolio Builders were firmly motivated by the expectation of financial reward. Although the Portfolio Builder’s logic closely resembles Sarasvathy’s (2001b) effectuation theory, effectuation is said to start without a stretching goal or a brilliant idea of the future, but the Portfolio Builder starts with a clear financial goal. On the other hand, the Portfolio Builders confirm the use of experience-based techniques for decision making (Mitchell et al., 2007; Busenitz & Barney, 1997; Simon & Houghton, 2002). The data suggest that there is limited use of traditional rational tools like competitor analysis, but instead point to the entrepreneur’s use of heuristics, such as entrepreneurial alertness and entrepreneurial expertise (Gaglio, 1997; Gustafsson, 2006; Mitchell et al., 2007).

8.1.2 Business Managers: Launching a business through causal logic

The Business Manager’s approach to building ventures is illustrated by the way that Colin, Justin, Ben, Jeremy, and Ivan launched and built ventures. These entrepreneurs were focused on goals and used causal or rational logic to make decisions. All of them began with a clear idea of the type of product they wanted to launch and the setting in which they would operate. They conducted extensive market and competitor research, from which business plans and financial forecasts were derived. They pursued their envisaged opportunities once they were satisfied with a self-developed risk-reward profile and after following the advice of trusted contacts. The relationships between the constructs shown in Figure 8.2 are included in Figure 8.4 for the specific case of the Business Manager.

Business Managers began with a clearly articulated goal and focused on acquiring resources to achieve that goal. For example, Jeremy’s approach to goal setting was to “grow the business to a point where I can sell it and retire,” and Ben aspired to “become the prime outdoor adventure tourist attraction for the Auckland region.” From then on, they went about choosing among means and researching similar businesses overseas. Data were used to forecast, plan, and analyse alternative paths to achieve goals.
Ben also illustrates the implementation of causal or rational thinking as a slow and deliberate process that includes extensive marketing research and significant competitor analysis (Sarasvathy, 2001b). Activities such as reviewing similar business overseas and analysing the competitive landscape indicate that, for causal thinkers like Ben and Jeremy, risks were deterministic, measurable, and controllable. Causal thinkers attempt to replicate and implement best practices from similar businesses and predict competitive responses from other players in the market (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). For these entrepreneurs, predictions of the future, whether risks or competitive responses, is the way to control the future (Sarasvathy, 2001b).

Causal or rational entrepreneurs place significant attention on the external environment, taking an outside-in approach to decision making. For these entrepreneurs, exogenous factors create constraints as well as yield opportunities. For example, both Ben and Jeremy considered exogenous influences like social trends when making decisions. They considered the specific outdoor activities chosen by aging baby boomers and the high disposable income associated with this demographic group. This approach of segmenting the market and selecting the most profitable market segment is a hallmark of causal or rational thinking (Sarasvathy, 2008). However, market segmentation is just an illustration of how causal or rational thinkers search for choices that are predictable and have the highest chances of leading to a successful outcome. Seeking to understand the external environment, whether macroeconomic trends or market dynamics, is also evidence of how causal or rational
thinkers perceive the future: trends and market dynamics will continue into the future, so the future is predictable because it is a continuation of the past (Dew et al., 2009).

Causal or rational thinking is also characterised by the selection of resources to achieve pre-defined goals. The way that Jeremy considered a range of options to sourcing his motorcycle fleet is an illustration of this. He considered purchasing a fleet of motorcycles up front, as well as leasing them to decrease his capital outlay. His decision on how to acquire the needed resources was framed within his previously articulated goal. As Sarasvathy (2001b) points out, rational or causal thinking is marked by searching for and choosing the means to achieve an established goal. Resources are selected by the likelihood of achieving a specific goal.

This group’s actions also embed the notion of systematic analysis at every step of the decision-making process. First, they established a long-term goal for the venture and had a specific product in mind. Then they resigned from work and looked at ways to acquire information that would be useful for building the venture. They validated the product they envisaged by reviewing the market and trialling, as a customer, similar businesses. They wrote a business plan, evaluated the funding required from investors, and sought advice from trusted contacts. Throughout the entire journey, they sought to predict potential obstacles and to plan for contingencies. Actions were premeditated, calculated, and purposeful, underpinned by rules of rationality, evidence, and deduction. These rules seek to follow a chronological succession of events with predictable characteristics and in a predictable fashion.

Overall, the Business Managers focused on external drivers to create opportunities to deliver new products or activities. They found opportunities in existing markets (Kirzner, 1973) and they played an observing and somewhat passive role while the opportunities evolved; the opportunities were not created by entrepreneurs themselves, who only became active when they attempted to capture the opportunities by exploiting them (Shane, 2000a).

8.1.3 Lifestylers: Pursuing a personal aspiration through effectual logic

The Lifestyler’s approach to decision making is illustrated by the way that John and Jean, Tipene, Graham and Mary, and Stephen started and built their businesses. The ventures they launched denoted their first incursion into entrepreneurship; these entrepreneurs represent the novice entrepreneur profiled by Read et al. (2010). Lifestylers set in motion the journey towards launching an entrepreneurial venture by focusing on a personal, compelling vision.
Their actions were shaped by an imagined future of their role in an environmental, social, or cultural cause they were passionate about. Their aspirations emerged before reflecting on their available means and business goals. Lifestylers started with an “aspiration,” as mentioned by Sarasvathy (2008, p. 245). This aspiration is focused on “a contribution to make the world a better place,” in the words of John and Jean. For the Lifestylers, the aspiration gives meaning to their lives. The relationships between the constructs shown in Figure 8.2 are included in Figure 8.5 for the specific case of the Lifestyler.

Lifestylers do not start by establishing a goal as causal or rational thinkers do. Neither do they start by assessing the means at hand, like effectual thinkers. Instead, the Lifestyler’s first step is a pledge to realise a personal aspiration. Once this type of entrepreneur makes a commitment to pursue a personal aspiration, goals are set and means assessed in a contingent fashion. Similar to the effectual thinker, these entrepreneurs do not predict the future but create it through a series of steps that involve looking at the resources at hand and interacting with people they know. Lifestylers do not undertake business planning or market research, but make decisions intuitively, underpinned by emotion, belief, and affect. None of the entrepreneurs within the Lifestyle group was familiar with the dynamics of the tourism industry when they began their entrepreneurial career.

Arguably, the lack of knowledge of the setting in which their ventures would operate could have been perceived as a risk. However, this potential risk was managed by shaping their venture slowly over time and in the pursuit of their aspirations. The product or service
emerged from a continuous process of trial-and-error and improvisation confined by the entrepreneur’s aspiration, but not constrained by specific goals, as a causal or rational thinker would be. Lifestylers respond to what the literature refers to as the processes of “muddling through” (Lindblom, 1959) and effectuation (Sarasvathy, 2001b, 2003). In muddling through, Lindblom (1959) argues that individuals use value judgments to evaluate decisions and select the most appropriate and suitable course of action. Decision makers gradually select the best option from a series of possibilities and through an iterative process, as the Lifestylers do.

Entrepreneurs muddle through decisions due to the cognitive limitations of decision making. Effectuation and muddling through overlap in the sense that they both represent an incremental decision-making logic based on actions and goals that are not defined a priori. Here is a significant difference between effectuation and the findings from this study in that Lifestylers had a clear objective or purpose, articulated as a passion for ecology or culture. Effectual decision making does not require prediction or assessment of probabilities linked to particular goals because the process evolves in unanticipated and unpredictable ways due to the uncertain context. However, the Lifestylers’ focus on an environmental or cultural cause was a target that they wanted to achieve, albeit unwittingly, using an effectual process. Lifestylers are, fundamentally, effectual and muddle-through thinkers who build ventures following effectual principles in the expectation that these ventures will provide a platform for meeting their aspiration, imagined future, or personal dream.

8.1.4 Self-Employed: Pursuing a personal goal through bricolage

The Self-Employed approach to decision making is illustrated by the way that Craig, Wayne, Thomas, Kevin, Jimmy, and Peter started and built their businesses. Like the Lifestylers, the ventures they launched represented their first incursion into entrepreneurship. Hence these entrepreneurs are also regarded as novice entrepreneurs. Self-Employed decided to become entrepreneurs when they found themselves unemployed or under-employed. However, rather than looking for another job, they set themselves the goal of becoming independent, eschewing the notion of working for someone else. After launching their ventures, they rarely showed the passion for growing them or even go beyond drawing a salary as long as the income they made from the venture was commensurate with a salary that they would be earning in a full-time position. The relationships between the constructs shown in Figure 8.2 are included in Figure 8.6 for the specific case of the Self-Employed.
Bricolage appears to be a suitable theory for explaining the Self-Employed’s approach to decision making. Bricolage has three applicable elements (Baker & Nelson, 2005), which are useful for describing the behaviours of the Self-Employed. First, these entrepreneurs demonstrated a marked action orientation and a personal engagement with problems, both of which represent behaviours of individuals who approach the entrepreneurial journey using bricolage principles. Second, they combined resources, especially their skills and expertise, in new ways and explored products and services without a clear business opportunity. Third, they displayed a bias toward relying on means under their control, only occasionally moving to external providers of resources. Apart from those three elements, bricolage has five domains. Three of the five domains (Baker & Nelson, 2005) are evident in the actions of Self-Employeds in this study, namely the skills domain, physical domain, and customer domain. Every entrepreneur in the category relied on a range of existing skills, which related to the individual’s leisure activities (skills), they applied existing resources to a new use (physical), and they provided valuable products and services that would otherwise not exist (customer).

Wayne, a skydiving operator, illustrates how bricolage explains the actions and behaviour of a Self-Employed. Unlike effectual thinkers, who take means as given and focus on choosing among likely effects, Wayne applied bricolage’s element of making do with what was on hand (Fisher, 2012) when he decided to recondition a set of parachutes that he sourced from the Army. His actions reflected how negatively valued resources are transformed into valuable materials for which they were not designed initially – an archetype.
of the physical dimension of bricolage. He acquired his skills during his time in the Army. Arguably, such skills would otherwise go untapped in any other setting, yet he translated them into useful services – a hallmark of the skills dimension of bricolage. The parachuting attraction that he launched was unique in its location thus providing a service that would otherwise be unavailable to customers, illustrating the customer/market dimension of bricolage. In contrast to effectual thinkers, Wayne demonstrated a bias toward action and self-sufficiency, as well as strong engagement with the personal goal of becoming independent.

Causal theory is useful to explain some of the actions and behaviours of the Self-Employed. For example, every entrepreneur in this category performed customer and market research before launching their ventures, albeit in a sketchy and somewhat superficial manner. Likewise, they used simple, basic templates for drafting a business plan. Wayne developed a set of basic financial spreadsheets because “my mate, the accountant, said I should put together the numbers.” However, the action orientation of Self-Employeds precluded conducting the most typical causal thinking steps in a comprehensive, systematic manner. In the pursuit of their personal goals, Self-Employeds immediately took action, not to seize an opportunity, but because the resources were readily available, even when the resource base was not rich.

As Baker and Nelson (2005) point out, entrepreneurial bricolage emerges when entrepreneurs are confronted with penurious environments – a combination of challenging environments and scarce resources. Self-Employeds in this study decided to move into entrepreneurship when facing challenges to earn an income. They had to confront challenging economic conditions in the macro-economy, which challenged their ability to make a living with their traditional occupation. The environment acted as a restriction to accessing monetary resources, so they turned to resources that they controlled, and that could be used to make do. Overall, the Self-Employed approach to building ventures typified the entrepreneurial journey that starts with cheap, free, or ostensibly useless resources that are used in creative ways and transformed into valuable resources that expand a market while creating an opportunity for profit (Alvarez & Barney, 2007). Fundamentally, using inexpensive resources did not make Self-Employed bricoleurs, but employing them in a new manner did.
8.1.5 Concluding comments on entrepreneurial decision making

This section analysed four different approaches to the decision-making process to launch new ventures in the eco-tourism and adventure tourism sectors. These differences give rise to four distinct decision-making logics. Elements of decision-making logics described in the literature have been found in this study, also incorporating variations of and departures from the literature.

The Portfolio Builder applies effectual principles, although arguably, unlike pure effectuators, they pursue businesses with a wealth-creation potential. The Business Manager applies causal or rational logic, placing emphasis on the external environment and systematically conducting research relating to a pre-defined product or service. The Lifestyler applies effectual logic within the context of a personal aspiration relating to a personal cause. The Self-Employed seeks independence by working with a product or service for which he or she has technical expertise, and follows a bricolage approach to making decisions and building ventures. The differences in the decision-making approaches adopted by these four types of entrepreneurs not only reflect the way they recognise, assess, and act on chosen opportunities, but also the reasons that underpin the entrepreneur’s motivation to consider launching a venture as well as the purpose they want to achieve.

8.2 Decision Making and Performance

Chapter 7 explored the construct of performance outcomes in the entrepreneurial decision-making process. First, the data suggest that venture performance outcomes and entrepreneur performance outcomes, although related, are separate constructs. Every combination of high and low level of venture performance outcomes and high and low level of entrepreneur performance outcomes was found. In other words, a positive self-assessment of performance outcomes is not necessarily an outcome of an entrepreneur’s high performing venture, nor does a low performing venture result in a negative self-assessment of performance outcomes. Critically, the data also suggest that the application of a specific approach to decision making is likely to result in similar venture and entrepreneur performance outcomes.

8.2.1 Portfolio Builders and performance outcomes

As explored in section 8.1.1, effectuation is a useful theory to explain the decision-making approach of Portfolio Builders. The findings from the data analysed in Chapter 7, summarised in Figure 8.7, support the notion that of the four decision-making approaches
found in the data, the Portfolio Builder is the only one that resulted in high scores in both firm and entrepreneur performance outcomes. This is in line with what the literature points out, that successful entrepreneurs practice effectual thinking.

Figure 8.7. Causal Diagram for the Portfolio Builder

There may be many reasons for that effect. For example, as illustrated by Bjorn’s and Geoff’s entrepreneurial journeys, expert entrepreneurs seek commitments from stakeholders before pursuing and furthering their potential business opportunities. This suggests that Bjorn and Geoff, like other effectual entrepreneurs, sought to gain external reassurance and confidence in the merit of their endeavours as they attempted to penetrate or create a specific marketplace. Commitment from stakeholders and feedback from customers served as external positive indicators that went beyond Bjorn’s and Geoff’s assessment and vision. Stakeholder commitments not only provided Bjorn and Geoff with positive external signals of potential success but also reduced risk. External positive signals allowed these entrepreneurs to build businesses with the assurance that if they built such businesses, customers would come. In turn, this would be reflected in their measure of venture performance outcomes (Adams, 2010).

It may be hypothesised that there is a relationship between effectual thinking and entrepreneur performance outcomes. Specifically, entrepreneurs who launch their ventures based on an investment that they can afford to lose perceive themselves as more successful, and hence more satisfied. Portfolio Builders eventually obtained a financial return from their ventures without any significant investment. Financial returns are essential for the Portfolio
Builders because they are focused on exogenous objectives, such as wealth creation and business growth. The approach of not investing more than they can afford to lose may be empowering, and this may provide a platform for acting with confidence and flexibility. Losing a limited amount is not risky and does not feel like a failure. Bjorn’s journey as entrepreneur illustrates an extreme case of loss containment: his bid for the decommissioned navy ship was $1.

Portfolio Builders did not give up their pre-determined selection of a context or situation where they could work on an environmental, social, or cultural cause they cared about. Although effectual thinking may lead to operating in, and even creating, markets that the entrepreneur did not previously think about (Sarasvathy, 2008), Portfolio Builders remained in control of a broader context or situation. They did not choose the direction that their business took. For example, Bjorn had never envisaged operating a diving attraction, and Geoff had never envisaged operating a whale watching business. However, they remained firmly committed to opportunities that were consistent with a focus area they felt passionate about.

The fact that Portfolio Builders achieved a high level of performance outcomes is unsurprising. Portfolio Builders embed the techniques used by experienced entrepreneurs to accelerate the process of arriving at a good enough solution when detailed research is impractical or costly. The body of research in psychology confirms that individuals who have been engaged in years of purposeful and proactive practice, like the Portfolio Builders, within a specific area perform better within such areas than individuals who have not (Ericsson, 1999; Ericsson & Charness, 1994; Ericsson & Lehmann, 1996). This suggests that entrepreneurs who have engaged in a series of new ventures perform better than novice entrepreneurs; it does not suggest that a decision based on heuristics outperforms a rationally-based, analytically-arrived-at decision. Finally, Sarasvathy (2004b) points out that the type of logic employed by entrepreneurs shifts from effectual to causal as the firm evolves; however, this has not been apparent from the data in this study.

8.2.2 Business Managers and performance outcomes

As mentioned in section 8.1.2, the Business Manager’s decision-making process is one that embeds the principles of causal or rational logic. Business Managers focus on achieving financial success by scanning the market for opportunities within a broad industry setting. The causal diagram for Business Managers is shown in Figure 8.8.
The performance outcomes achieved by the Business Manager is the mirror opposite to that of the Lifestyler: venture performance outcomes are relatively high and entrepreneur’s performance outcomes relatively low. A low assessment of self-performance outcomes is a surprising finding for two reasons. First, Business Managers focused initially on opportunities that would provide wealth-creating potential, and relatively high venture performance outcomes scores indicate that their pre-determined objective was achieved. Second, Business Managers remained within a chosen type of product or service and controlled the direction that their business took. It would be logical to assume that entrepreneurs who pursue a line of business selected by themselves might be more satisfied with their business than those who do not remain in control of those options, especially entrepreneurs who effectuate (i.e., Portfolio Builders and Lifestylers) and somewhat give up their business choices. Overall, and similar to what was observed in the Lifestylers, the constructs of venture performance outcomes and self-assessment of performance outcomes are separate and do not correlate.

The research data reveal that the Business Manager group has the second highest relative venture performance outcomes of the four groups, just behind the Portfolio Builder. Both groups are bound by pre-determined extrinsic goals, which are associated with an extrinsic measure of financial performance outcomes. The main difference between the two groups is that the Portfolio Builder applies effectual principles whereas the Business Managers pursue their objectives by conducting market research, prediction, and planning. In addition to applying different logics, those two groups distinguish themselves from each other by the
relative amount of entrepreneurial experience. The Portfolio Builder can be characterised as a serial, expert entrepreneur while the Business Manager is a novice entrepreneur, yet they both achieve high venture performance outcomes. This finding suggests that venture performance outcomes are not necessarily related to entrepreneurial experience, but to the existence of an extrinsic financial goal.

Business Managers decided to launch their ventures to take advantage of and to commercialise a specific kind of knowledge related to an activity of technical expertise. This technical expertise was a foundation for identifying a first business opportunity, but it may act as a limitation for future business opportunities if the Business Manager continues to apply causal logic. Causal logic restricts the entrepreneur in several ways. First, it restricts a flexible evaluation of business opportunities. Second, by not considering how much the Business Manager can afford to lose, causal logic limits the freedom to experiment, explore, and exploit opportunities. Third, causal logic eschews gaining pre-commitments from stakeholders, in the form of assurances, tacit agreements, promises of support, or additional resources; Business Managers do not have those types of pre-commitments that would otherwise serve to limit potential venture risk.

Arguably, those three factors lead the Business Managers to make a low assessment of entrepreneurial performance outcomes: risk, uncertainty, and a limited source of future opportunities undermine the entrepreneur’s satisfaction and perception of his performance outcomes. Conversely, it may be argued that effectual entrepreneurship is inherently more satisfying than causal entrepreneurship because of the flexibility given in each of the three items above. Entrepreneurs who have limited business opportunities and do not assess the opportunities by whether risk-limiting actions exist perceive themselves to be less successful than those who do. This finding follows Cave and Minty (2004), Sale and Atinc (2008), and McGrath (1999) about real options logic, which indicates that restricting an entrepreneur’s ability to act negatively affects the entrepreneur’s efforts and performance outcomes.

As mentioned in the literature review, Ireland et al. (2003) indicate that consistently seeking out new opportunities while forecasting demand and articulating a sustainable positioning strategy (Porter, 1985) leads to higher performance outcomes. Research (Lumpkin & Dess, 1996) argues that rational thinking is a precursor to strong performance outcomes. However, studies have found that the correlation between rational thinking and performance outcomes varies significantly (Dimitratos et al., 2004; Hult et al., 2003; Wiklund & Shepherd, 2003).
and in some cases (e.g., George et al., 2001) there was no statistically significant relationship. The wide variation in the correlation coefficient underscores the fact that the influence of moderators in the relationship between the two variables may be significant. However, the data show that the entrepreneurs who fit the Business Managers category have consistently achieved relatively high venture performance outcomes.

8.2.2 Lifestylers and performance outcomes

As discussed in section 8.1.3, Lifestylers start with a personal aspiration, which precedes entrepreneurial action. Lifestylers focus on contributing to a personal cause they care about and do not place emphasis on monetary rewards. Neither are their decisions determined by predetermined goals. The causal diagram for the Lifestyler is shown in Figure 8.9.

Figure 8.9. Lifestylers and Performance

Lifestylers’ assessment of self-performance outcomes is relatively high, but venture performance outcomes are relatively low when compared to Portfolio Builders and Business Managers. Unlike Portfolio Builders and Business Managers, Lifestylers are not bound by pre-determined financial goals but are free to unfold improvised experimentation and creation of products and services consistently. Arguably, Lifestylers’ relatively high measure of self-performance outcomes is the result of muddling through trial-and-error actions, which allow the Lifestyler to direct the venture contingently towards a contribution to a cause, without regard to objective measures of venture performance outcomes. As John and Jean put it “the ambition that has been achieved is to be environmentally sustainable and for the business, it was to make it pay. It’s not a large profit, but it’s paying”.

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Lifestylers’ actions embody self-determination theory, which suggests that the venture enables entrepreneurs to fulfill their essential desires related to autonomy, which results in a level of motivation leading to high entrepreneurial performance outcomes (Baum & Locke, 2004; Baum et al., 2001). Whereas Portfolio Builders control the future by applying effectual principles and Business Managers predict the future by applying causal logic, Lifestylers are about the pursuit of an imagined personal and subjective dream. Focusing on actions to achieve their dreams leads the Lifestyler to a sense of personal accomplishment and independence. Intrinsic rewards, such as a sense of accomplishment and independence, are two of the primary reasons that lead to entrepreneurial action (Kuratko et al., 1997).

Lifestylers’ relatively high measure of self-performance outcomes is rooted in the balance between working independently and achieving a self-selected social or environmental commitment. For example, John and Jean’s desire for independence and for contributing to the environment is encapsulated in their words “we like to close down over the winter months and go for an overseas holiday; we’re really not interested in climbing the ladder, but giving back to the area where we live.” Lifestylers viewed achieving both autonomy and a contribution to a cause as critical success factors, and so the Lifestylers’ contribution to communities and the environment is part of their definition of success.

Aligning their ventures with the environmental, social, or cultural causes, they felt passionate about inspired a sense of high self-performance outcomes in Lifestylers. This alignment between the venture and the Lifestylers’ cause was achieved in a non-deterministic, iterative, and evolving manner, which contributed to a high self-assessment of performance outcomes regardless of how the venture performed. On the other hand, the focus on contributing to a personal cause through a venture that served as a platform for independence contributed to relatively low measures of venture performance outcomes. The significance of these results is that, although a priori it may be assumed that venture performance outcomes and entrepreneur performance outcomes are related, these measurements of performance outcomes are separate. The Lifestyler group shows that a relatively low performing venture does not relate to a negative self-assessment of entrepreneur’s performance outcomes.

8.2.3 Self-Employed and performance outcomes
As discussed in section 8.1.4, the Self-Employed entrepreneur starts with the desire of becoming independent by scanning the market for opportunities and launching a venture that
relates to an area of expertise they possess. The causal diagram for the Self-Employed group is shown in Figure 8.10.

Figure 8.10. Self-Employed and Performance

For this group, both venture performance outcomes and the entrepreneur’s performance outcomes are low, the lowest across the four groups. Because similar venture performance outcomes were also observed in the Lifestyler group, the research data suggest that there is a relationship between a desire for independence, without an extrinsic financial goal, and low venture performance outcomes. On the other hand, similar to the Business Manager, a low self-assessment of entrepreneurial performance outcomes may relate to the application of causal logic by a novice entrepreneur, who centres opportunity recognition and exploitation on an area of technical expertise.

A low level of entrepreneurial performance outcomes is a somewhat surprising finding given the fact that intrinsic motives, like the sense of independence, underpin the Self-Employed’s desire to move to entrepreneurial action. The dilemma between achieving independence yet not being satisfied is exacerbated by the fact that this group works with products and services that are strictly related to their interests and sources of personal enjoyment. One would have expected that entrepreneurs who achieved independence through an activity that reflects who they are and what they know would have found satisfaction in and enjoyed the experience of owning a venture. Unlike the Business Manager, which is another group with low self-assessment of performance outcomes, the Self-Employed does not emphasise economic goals. This, presumably, should have led the Self-Employed to be relatively satisfied even at a low level of venture performance outcomes, provided venture performance outcomes
reach a minimum to allow them to achieve the personal goal of being independent and doing a type of work they want to do.

A low self-assessment of performance outcomes in both the Self-Employed and Business Manager groups may be explained by discrepancy theory (Higgins, 1989; Michalos, 1985), which points out that an individual’s satisfaction level relates to the perceived distance between what they would like to have and what they have. Michalos refers to several perceived distances or gaps. One such gap is the expectation-reality gap, which is defined as the perceived distance between the current situation and what the entrepreneur anticipated it to be. Although discrepancy theory argues that the expectation-reality gap refers to an entrepreneur’s estimate of probable outcomes against what has actually happened, it would be plausible to assume that in the case of the Self-Employed, the gap exists because reality did not match a desired, rather than probabilistic, outcome, even when the articulated objectives were achieved. If the realised level of the entrepreneur’s performance outcomes relates to the entrepreneur’s preliminary expectation, then it follows that the Self-Employed might have established a high benchmark against which she or he would measure performance outcomes. The logical conclusion is that the Self-Employed perceived that such a high benchmark was not achieved.

8.2.5 Concluding comments on decision making and performance outcomes

This section has examined the significant differences among the four entrepreneur groups in performance outcomes from launching new ventures in the eco-tourism and adventure tourism sectors. The range of performance outcomes relates to the four distinct decision-making approaches analysed in section 8.1.

In the overall sample, every combination of high and low venture performance outcomes with high and low entrepreneur performance outcomes was observed. This suggests that there is no simple relationship between the constructs of venture performance outcomes and entrepreneur performance outcomes. It is logical to assume that the entrepreneurs in the sample were motivated to achieve high levels of venture performance outcomes, self-performance outcomes, or both and, consequently, the decision-making process that was adopted is directed to maximising performance outcomes levels. There is the implicit assumption that entrepreneurs act upon their outlooks in particular ways to maximise performance outcomes. Due to the different ways in which entrepreneurs acted on their
initial expectations, the actions of some entrepreneurs led to the perception of higher performance outcomes and some did not.

Overall, a relationship between the decision-making process followed, and the resulting outcomes were observed. First, Portfolio Builders and Lifestylers, which are the two groups with high levels of entrepreneur performance outcomes, are the two groups who applied effectual logic. Both a flexible approach to building the venture and a focus on eliminating uncertainty relate to a relatively high level of entrepreneur performance outcomes. Second, Business Managers and Portfolio Builders, which are the two groups with high levels of venture performance outcomes, are the two groups who were driven to achieve extrinsic, wealth-creation goals. This suggests that a focus on extrinsic goals is related to high venture performance outcomes. Third, Lifestylers and the Self-Employed, which are the two groups with low venture performance outcomes, are the two groups who primarily focused on achieving independence; hence, a focus on intrinsic goals is related to low venture performance outcomes. Fourth, the Business Manager and the Self-Employed, which are two groups who self-assessed entrepreneurial performance outcomes as low, are the two groups whom a priori decided to work in an area of technical expertise. The decision to work with a pre-determined product or service is not related to entrepreneur’s satisfaction.

8.3 Founder’s Background and Decision-Making Approach

Chapter 6 explored the entrepreneurs’ backgrounds and identified three key themes from the interpretation of research data, namely education, work experience, and passion and interest. These three themes encapsulate the areas that the entrepreneurs recognised as significant precursors to moving into entrepreneurial action.

Entrepreneurs with different backgrounds across each of the four decision-making approaches made decisions differently and acted upon their decisions differently as well. However, the data suggest that formal education and previous employment may not be independent. For example, the entrepreneurs who had previously gained a business degree subsequently worked in large companies. On the other hand, entrepreneurs who did not gain formal qualifications worked in trades or farming. The existence of a relationship between education and work experience is unsurprising as it would be reasonable to expect that individuals are inclined to work in settings suitable for their education.
A relationship between (a) formal education and work experience and (b) motivation was also observed. Entrepreneurs with a formal education who had worked in a business setting were motivated by financial gains, whereas a sense of independence mainly motivated entrepreneurs with no formal education who worked in the trades or farming.

8.3.1 The Portfolio Builder’s background

The Portfolio Builder represents a group of expert entrepreneurs who apply effectual logic to entrepreneurial decision making. Every entrepreneur in this group acquired a formal business-related degree and most had worked in a commercial organisation in a position of responsibility. No entrepreneur thought that formal education led to the creation of practical, hands-on knowledge of entrepreneurship, but they did admit to applying some concepts gained during their formal studies in their daily work. The causal diagram for the Portfolio Builder is shown in Figure 8.11.

Figure 8.11. Portfolio Builder and Background

Work experience in a business-related setting and a formal business education may be seen as general work experience that is transferable across a range of firms, industries, and settings, or as Becker (1993) puts it, “general business experience.” Therefore, the fact that the entrepreneur does not relate specific knowledge previously gained to the application of this knowledge in practice is unsurprising. These entrepreneurs were not cognisant that their formal education and work experience is embedded in the human capital they brought to the act of venture formation – generalised, rather than specific experience, was input into the way they made decisions.

The Portfolio Builder was motivated by financial gains, which may explain, according to expectancy theory (Gatewood et al., 2002), the reason for moving to entrepreneurial action.
External rewards, like financial rewards, explain their behaviour. These extrinsic rewards, coupled with the passion of working for a personal cause they cared about, seem to have constrained the type of business opportunities the Portfolio Builders were willing to engage in.

However, Portfolio Builders did not know *a priori* what opportunities would flourish, which possibly shows that passion was never in control of their actions. Specifically, passion did not restrict opportunity recognition as opportunities were created rather than found. In this context, passion provided a comprehensive setting for entrepreneurial action and a value structure (Weber, 1978). This value structure, underpinned by passion, provided the Portfolio Builder with an identity (Stryker, Owens, & White, 2000) that ultimately served as a motivator. Identity determined the behaviour that influenced the type of entrepreneurial action undertaken, specifically around the decision-making mode.

### 8.3.2 The Business Manager’s background

The Business Manager represents a group of entrepreneurs who applied causal logic to the decision-making process. Like Portfolio Builders, Business Managers focused on extrinsic financial gains, held a business-related degree, and had previously worked within a large company setting in a managerial position. The causal diagram for the Business Manager is shown in Figure 8.12.

From the perspective of the causal approach to entrepreneurship, financial motivations are thought to relate to a careful, systematic, and involved opportunity search and evaluation process. Arguably, working in a large company setting equipped Business Managers with tools, frameworks, and techniques for systematic decision making. This relates to the Business Manager’s causal approach to venture creation and a slow pace of decision making. Similar to the Portfolio Builder, the behaviour of the Business Manager could be explained from the perspective of expectancy theory because the theory relates to the motivational aspects of individuals who focus on external rewards (Gatewood et al., 2002).

Each entrepreneur’s passion for working with a specific product or service was unique and determined which business they would create. Entrepreneurial passion limited the range, type, and breadth of business opportunities that Business Managers were willing to consider.
Arguably, the passion for working with a specific product or service meant that other opportunities remained unnoticed; entrepreneurial passion restricted opportunity recognition, even when other potential opportunities could provide the Business Manager with higher chances of wealth creation than those provided by pre-selected products or services.

8.3.3 The Lifestyler’s background

Lifestylers represented a group of entrepreneurs who started with a generalised personal aspiration and subsequently applied effectual logic to the decision-making process. Most entrepreneurs in this group had no formal education, and work experience was gained in non-managerial forms of employment. They did not have the chance to develop general business experience or managerial competencies. The causal diagram for the Lifestyler is shown in Figure 8.13.

However, through working experience in areas such as retail, trades, or farming, Lifestylers gained a stock of human capital in the form of process-oriented capabilities. Research indicates those capabilities are useful when starting a venture (Eisenhardt & Martin, 2000). Process-oriented capabilities, as well as action-oriented behaviours, underpin the creation of new capabilities and facilitate combining and integrating resources, such as specific skills and knowledge, in different, creative ways to create new resources; this is also consistent with effectual logic.

The Lifestyler was motivated by a sense of independence and wanted to achieve a personal aspiration through entrepreneurial action.
The passion for their well-defined personal aspiration was a framework for their expressions of the self, which reflected who they were and gave meaning to the definition of them as individuals. Self-determination theory (Gagné & Deci, 2005) may apply when framing entrepreneurial action for entrepreneurs like the Lifestyler, who sought independence. Within the context of this theory, the venture fulfills an entrepreneur’s intrinsic needs.

Although their passion was a driving force, passion did not evolve into rigid perspectives, and it did not distort thinking patterns. Lifestylers faced problems in a contingent fashion, and with flexibility and agility. They re-evaluated their predicament, leveraged prior experiences, and made sacrifices to keep the ventures operating.

### 8.3.4 The Self-Employed’s background

The Self-Employed represented a group of entrepreneurs who started with a specific personal goal and subsequently applied elements of causal logic to the decision-making process. The entrepreneurs in this group had no formal education and most worked in self-employment, farming, or a trade before starting their venture. The causal diagram for the Self-Employed is shown in Figure 8.14.

Similar to the Lifestyler, these entrepreneurs did not start their ventures with business experience or managerial competences, but with a stock of human capital in the form of process-oriented capabilities. Prior work experience provided a foundation for understanding how to combine and integrate resources in different and creative ways to create new resources.
The Self-Employed’s motivation to start a venture was to achieve independence and the necessity to create a source of income, provided the product or service related to an area of personal interest. The Self-Employed did not wish to grow the venture or go beyond what was needed to draw a salary. It may be argued that when the personal or venture objectives are modest, the decision-making process to launch a venture is shorter and faster. Specifically, as soon as an entrepreneurial idea or opportunity is seen as feasible, acceptable, and viable in relative terms to the objective, the opportunity identification step is finalised, and the entrepreneur moves into action. The Self-Employed’s motivation and personal goal acted as thresholds that shaped how the entrepreneurs in this group acted during the venture formation process.

8.3.5 Concluding comments on entrepreneur’s background

Research data in this study have shown that, despite the heterogeneity of the sample, there were similarities in formal education, work experience, motivation, and interest and passion within the entrepreneurs who followed a specific decision-making process.

The Portfolio Builder and Business Manager groups show that entrepreneurs with formal business education and employment in managerial positions in a large-company setting focused on extrinsic, financial-related objectives. The Lifestyler and the Self-Employed groups represent entrepreneurs with a range of non-large company work experience, they did not have formal tertiary education, and they were motivated by the desire to achieve an independent lifestyle. The Portfolio Builder and the Lifestyler followed elements of effectual logic, whereas the Business Manager and the Self-Employed followed elements of causal logic. This implies that there is no direct relationship between formal education and
decision-making mode. This, in turn, suggests that previous formal business education does not influence the entrepreneur’s approach to opportunities directly; in particular, whether the opportunities were either identified or created.

The data from this research show that the decision to launch a new venture does not relate to a particular type of formal education or, indeed, to whether the entrepreneur held any formal qualification. The formal educational background did not contribute toward the decision to become an entrepreneur as the sample included an even proportion of entrepreneurs who held a tertiary qualification and those who did not. The fact that nine entrepreneurs without formal business education started ventures implies that they might not have considered business knowledge to be essential to be involved in a commercial venture. Similarly, the lack of business knowledge was not seen as an obstacle to moving into entrepreneurial action. However, such a decision was, in hindsight, to their financial detriment because businesses launched by entrepreneurs with formal business education outperformed those launched by the rest of the entrepreneurs.

Entrepreneurs who held a business-related degree are aggregated within the Portfolio Builder, and Business Manager decision-making approaches. Both groups were motivated by an extrinsic objective, while entrepreneurs without formal education pursued an intrinsic objective. This aligns with current research in that there is no generally accepted theory of entrepreneurial motivation; both extrinsic and intrinsic motivators were present in the sample in this research. Neither expectancy theory, which indicates that extrinsic objectives explain human behaviour, nor self-determination theory, which indicates that intrinsic objectives explain human behaviour, provides an overarching framework for explaining entrepreneurial action in the sample. However, a relationship between formal education and the type of objective being pursued has been noted.

Portfolio Builders and Lifestylers focused on building ventures that would meet an environmental, cultural, or social cause and Business Managers and Self-Employed focused on being involved in a specific product or activity with which they were familiar. Thus different focal points of passion or interest underpinned the entrepreneur’s actions during the start-up process of their ventures. This has been documented in current research (e.g., Cardon, 2008; Fineman, 2005) that indicates that emotional dimensions deliver a sense of engagement with the venture. For the entrepreneurs in this research, an emotional state
determined the sense of commitment, involvement, and attachment toward a specific activity, product, belief, ideology, or value. These notions ultimately shaped the venture.

Entrepreneurs referred to passion and interest as frameworks for their identity and expressions of the self, which reflected who they were. Passions and interests gave meaning to the definition of them as individuals. Differences in interest and passion had consequences for the way that decisions were made, specifically with regard to the way in which the opportunity recognition process was conducted. Entrepreneurs who focused on areas of passion (i.e., Portfolio Builders and Lifestylers) tended to make decisions incorporating principles of effectual logic, whereas entrepreneurs who focused on an area of technical expertise (i.e., Business Managers and Self-Employeds) incorporated elements of causal logic. A passion for a cause or aspiration related to the application of elements of effectual logic; and interest for an area of technical expertise resulted in elements of causal logic being applied.

8.4 Tourism Entrepreneurs and their Firms

The interpretation of the interviews reveals an additional, salient aspect of this research, that is, the observed relationship between the individual entrepreneur and his or her venture. These observations go beyond the current debate in entrepreneurial theory over whether the entrepreneur and the venture are either the same entity or separate entities. Instead, the interpretation of the transcripts and the overall research process uncover the entrepreneur’s subjective and unique cognitive paradigm about the ventures they create and their relationship with them. It is commonly accepted that ventures and entrepreneurs are interrelated constructs – an entrepreneur without a venture would not exist, neither would a venture without an entrepreneur. Given that entrepreneurial activity in the tourism sector is about coordinating resources within the confines of a firm, it is unsurprising to find that a complete analysis of the entrepreneurial decision-making process includes the entrepreneur’s relationship with the firm. The data from this research indicate that there is either a deep association or a deep separation between each entrepreneur and the firm she or he created.

Each venture that was part of this study was the result of the entrepreneur’s conception, intention, and imagination. These constructs were underpinned by individual decisions that result from assumptions and speculations, all of which are necessary preconditions for the firm to emerge. Cognitive processes are present from which both particularities and
subjective actions and views result. However, despite the diverse range of individuals in this research, who possessed unique cognitive and subjective histories, some regularities and commonalities prevailed in the research data. Specifically, the interpretation of the research data points to the existence of a tacit model of behaviour about the boundaries that exist between the entrepreneur and the firm. The aspect of behaviour under question is dichotomous. The words of Graham and Mary and Jimmy show one aspect of the dichotomy, one in which the entrepreneur is deeply associated with the firm:

I don’t see our little business as our child, it’s as part of us, of who we are, a kind of work of art. I don’t think we’ll ever sell it. The business exists because of us. We want to work in the business, as much as on the business. (Graham and Mary)

I don’t have to worry about salaries to pay. The business is too seasonal and the last thing I want is to have to look after other people. I could have casual labour, but I prefer to work when there is work and not to worry about others if there is no work. The business is me, I am the business, and I am happy with that. (Jimmy)

The words of Bjorn and Jeremy illustrate the flip side of the dichotomy, one in which there is a deep separation between the firm and the entrepreneur:

My role is to make deals and get on the next new-new thing. I leave the rest to my team. I lead them and motivate them, but if I could get to a stage when I don’t show up at the office other than for a coffee, that would be my dream. A business running by itself. As someone said: start a business thinking how you’ll exit from it. (Bjorn)

I started this business wanting to grow it so that I could sell and retire. I want to get it to a size that can allow me to get sufficient cash to live off interest; I never started it to remain attached to it or to work in it long term. (Jeremy)

These quotes are representative of typical entrepreneurial themes explored by extant literature: How are entrepreneurs and firms related? Do entrepreneurs need ventures to act upon the entrepreneurs’ motivations? Do ventures need entrepreneurs to make judgments regarding products and markets?

The research data from this study show that interaction between entrepreneurial activity and ventures follows one of two potential pathways. On the one hand, some entrepreneurs (i.e., Portfolio Builders and Business Managers) explicitly or implicitly disassociated themselves from the firms they created, separating themselves emotionally and intellectually from the firm, and acting freely when making judgemental decisions involving the firm. On the other hand, other entrepreneurs (i.e., Lifestylers and Self-Employeds) link themselves intimately with the business they created and saw themselves as one with the firm and at the heart of the day-to-day functioning of the firm.
The cognitive frames of the Portfolio Builders and Business Managers show commonalities in the way that they relate to their firms and in the way they exercise influence on the firms’ outcome. Regardless of which type of entrepreneurial logic they applied to the decision-making process, these entrepreneurs started with an initial notion of moving to entrepreneurial action. They had an idea of the purpose of the business, the setting it would operate in, and why. The entrepreneurs’ intentions, based largely on both a motivation and either an area of passion or interest, developed over time into more complex business notions of how to deliver a tourism product or service to a customer. These notions or conceptions provided these entrepreneurs with an interpretative framework in which there was a disassociation or a boundary between the entrepreneurs and the firms that emerged. Whittaker et al. (2009) explored this under the notion of “the venture as a project,” and Sarasvathy (2004a) described the firm as a vehicle for the entrepreneur. For Portfolio Builders and Business Managers, the firm they created is the medium through which they exploit the wealth-generation prospect of identified or created opportunities. Forming a firm is an essential achievement of entrepreneurial action, and a mental conception of the venture precedes it. Entrepreneurs in these two groups actively engaged in processes such as governance, monitoring, and coordination of the firm’s assets; the existence of these processes implies both a cognitive and emotional separation of the entrepreneur from the firm.

In contrast, the cognitive frames of the Lifestylers and the Self-Employed are such that entrepreneurial activity is not necessarily about creating new firms, but being the firm. The role of these entrepreneurs in the firm is to become the firm. Hence the firm is a phenomenon embedded in the entrepreneur. There is no interaction between the entrepreneur and the firm; instead, the firm is a manifestation of the entrepreneur as a person. In this manifestation, the entrepreneur is explicitly or implicitly entirely associated with the firm. As in all entrepreneurial ventures, judgemental decision making occurs and moving to entrepreneurial action requires starting a firm. However, in the process of exercising judgment, these entrepreneurs see themselves as a productive capital asset without which there is no firm. The association with the firm for the Lifestyler and the Self-Employed goes beyond believing that, apart from controlling the assets, he or she is the only asset that matters. The association involves an emotional connection that reflects a self-identification with the firm and a sense of identity. For entrepreneurs in these two groups, there is no mental conception of a business; instead, there is a preoccupation with how the day-to-day
work of the entrepreneur will deliver products and services. Cognitively and emotionally, the notion of a business venture as a separate entity is not a prerequisite for delivering products and services.

Whether an entrepreneur feels associated or disassociated with the firm is not related to measures of entrepreneur satisfaction. However, entrepreneurs who feel dissociated with the firm are motivated by financial gains, which results in higher venture performance outcomes. Conversely, entrepreneurs who feel associated with the firm are motivated by the sense of independence, which results in lower measures of venture performance outcomes.

Portfolio Builders and Business Managers conceive a business as an entity that serves the mutual objectives of the firm and the entrepreneur. The firm realises a personal objective that the entrepreneur cannot achieve by himself or herself – it is a vehicle for transforming a motivation for wealth creation into profits. On the other hand, Lifestylers and Self-Employed, who are both motivated by achieving independence, confound the actions of the firm with the actions of the entrepreneur; the entrepreneur’s purpose and the firm’s purpose are one and the same. Differences in firm-level performance outcomes result when the entrepreneur cognitively and emotionally delegates actions to the firm. Lifestylers and Self-Employed consistently achieved lower measures of firm performance outcomes than those of Portfolio Builders and Business Managers.

8.5 An Integrative View of the Results

Section 8.1 showed that entrepreneurs recognised opportunity by two critical dimensions: (1) underlying motivation to launch a venture, either financial or independence, and (2) opportunity content, either meeting a passion or involving a known product. Section 8.3 showed that the entrepreneurs whose motivation was financial also had completed tertiary education. Conversely, the entrepreneurs who were motivated by a sense of independence had not completed tertiary education. Focusing on a passion or broad area of interest shows a propensity to view the world in more conceptual terms than in practical terms, such as focusing on a specific known product. This dimension belongs to the personality domain (Keirsey & Bates, 1984). Figure 8.15 incorporates the notions of cognitive domain and its relationship with both formal education and extrinsic rewards (horizontal axis) and personality domain, with focus on either conceptual or practical term (vertical axis).
Figure 8.15 shows that there is a fit between the emotional domain, what the entrepreneur feels passionate about, and the propensity to apply effectual thinking. Entrepreneurs who start with a broad idea and think in conceptual terms tend to effectuate, but educational level or cognitive abilities do not limit effectuation. This broadly confirms previous findings of effectuation (Dew et al., 2009; Sarasvathy, 2004a): entrepreneurs do not start with a brilliant idea, but a broad sketch of an area in which they would like to work. However, this study found that some novice entrepreneurs (i.e., Lifestylers), with little or no previous entrepreneurial experience, also think effectually. The data from this study challenge previous research on effectuation, which has postulated that novice entrepreneurs differ from experienced entrepreneurs in that the latter think more effectually.

Previous research shows that possessing business experience relates to business growth. Business and managerial expertise are usually found behind businesses that grow aggressively, enter new markets, or internationalise (Ruzzier, Hirsch, & Antoncic, 2006). The data from this study support this research in that those entrepreneurs who pursued tertiary studies and possessed prior business involvement tended to lead entrepreneurial ventures that performed well. However, this effect is somewhat confounded by the fact that these entrepreneurs also focused on financial rewards.

Extant research focuses on a myriad of variables to explain growth ambitions (Hessels et al., 2008). The data from this study indicate an entrepreneur’s initial cognitive and emotional differences influence the venture’s pathway to profit potential and growth. The literature underscores the relevance of the entrepreneur’s outlook (e.g., Hessels et al., 2008; Kolvereid, 1992; Lee & Venkataraman, 2006; Wiklund & Shepherd, 2003) towards specific goals and the absence of growth-oriented goals leads to weak growth (Coskun & Altunisk, 2002). This research confirms the relationship that exists between aspirations and firm performance outcomes.

The finding that some entrepreneurs did not focus on financial rewards aligns with previous research on the importance of non-profit goals in some entrepreneurs (Hessels et al., 2008; Van Gelderen & Jansen, 2006). Furthermore, Reynolds et al. (2005) found that there are two overall motives for entrepreneurship, namely pull and push.
Pull motives refer to entrepreneurship as a vehicle for financial rewards and push motives are the result of necessity, which involves the need for income or the need for an entrepreneur to have an occupation after being displaced from other means of employment or activity. Pull motives were found in Business Managers and Portfolio Builders and push motives in the Self-Employeds. This study extends these two motives to incorporate motives relating to a sense of identity and contribution to a cause, the motive found in the Lifestylers.

The data show that Lifestylers engage in an unbound corridor involving an *ad hoc* creation of a desired future, from which a personal endeavour or passion emerges. Lifestylers seek to achieve a high-level picture of the future, in which their contribution to an aspiration becomes possible. Here is where a distinction with effectuation is apparent. Effectuation is about controlling the future, but Lifestylers are about creating a future and leaving a legacy. Lifestylers did not prioritise returns but acted upon the desire to craft a future. Crafting a future is a process that involves improvising without committing resources to any particular pathway. The literature on effectuation has not discussed this aspect of entrepreneurial
action, which seems to be a variation to effectual decision making and behaviour as traditionally covered in the literature.

Importantly, this study has shown that an effectual approach to entrepreneurial decision making is related to entrepreneurial satisfaction. The two groups who approached the task of launching a venture through an effectual process showed a positive assessment of self-performance outcomes. Self-performance outcomes and effectual thinking are strongly related. This aspect has not been covered previously in the literature on effectuation. Furthermore, effectual thinking may be necessary for an entrepreneur’s satisfaction, but it is not a sufficient condition for venture performance outcomes.

8.6 Concluding Comments

The entrepreneurs in this research have applied their human capital, in the form of formal education, previous employment, motivation, and interests and passion, to their decision-making process. Prior knowledge, which responds to the effectuation question of What do I know? and background, which responds to the question Who am I? influenced the choice of emerging decision-making logic. Despite the heterogeneity of the sample, the observations resulting from this study show that there are similarities in formal education, work experience, motivation, and interest and passion within each group.

Research data from this study have also shown that there were significant performance outcomes from launching new ventures in the eco-tourism and adventure tourism sectors. Although it is assumed that the entrepreneurs in the sample were motivated to achieve high levels of venture performance outcomes, self-performance outcomes, or both, the actions of different entrepreneurs led to differing levels of performance outcomes. Overall, it was observed that performance outcomes are related to the four distinct decision-making approaches mentioned above. Also, a relationship between venture performance outcomes and the entrepreneur’s cognitive and emotional relationship with the venture was apparent. Entrepreneurs who, implicitly or explicitly, considered the venture as a stand-alone entity achieved higher levels of venture performance outcomes than the entrepreneurs who felt them and the venture were one and the same.
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CHAPTER 9 – CONCLUSIONS, LIMITATIONS, IMPLICATIONS, AND AREAS FOR FURTHER RESEARCH

9.1 Introduction

The field of entrepreneurial decision-making logics has become highly fragmented, despite considerable progress during the past decade. The fragmentation of the field has hampered progress in explaining how decision-making logics relate to other constructs. This thesis has focused on the various decision-making logics applied by individuals who choose to pursue an entrepreneurial career and how these logics lead to venture creation. The research has identified and explained the underlying actions leading to venture formation, as well as explored the determinants and consequences of the decision-making logic that is adopted. Understanding the decision-making logics adopted by entrepreneurs as well as their causes and consequences not only gives valuable insights into entrepreneurship, but also provides a basis to support venture creation.

From that perspective, there are three significant research contributions to the literature from this study. First, this study found that effectual entrepreneurs can simultaneously adopt an outside-in (i.e., goal orientation) approach as well as an inside-out (i.e., resource orientation) approach. This contribution advances the theory of effectuation as a decision-making logic and addresses the criticism that effectuation researchers have only partially built theory (Arend et al., 2015, 2016). It also contributes to the debate on the future of the effectuation literature (Garud & Gehman, 2016; Gupta et al., 2016; Read et al., 2016; Reuber et al., 2016).

Second, this study found that the choice of decision-making logic emerges from a combination of the entrepreneur’s (1) cognitive domain (i.e., motivation and formal background) and (2) emotional domain (i.e., the affinity for a type of opportunity). This finding supports the suggestion by Shepherd et al. (2015) that contributions to the field of entrepreneurial decision-making are likely to come from, among others, exploring the role of non-economic considerations in the decisions relating to entrepreneurial opportunity. This study has shown that cultural, social, and environmental causes do shape the decision-making logic that is adopted, and that entrepreneurs who include non-economic considerations are likely to adopt elements of effectual decision-making. Third, this research found that high venture performance outcomes do not necessarily relate to a rational (causal) or effectual decision-making logic, but to an extrinsic objective. Conversely, high entrepreneur satisfaction comes from adopting elements of effectual logic. This finding
responds to calls for more work to disentangle the web-like consequences of decision-making logics (Smolka et al., 2016; Harms & Schiele, 2012).

Moving on from the contribution to the literature, this study yields several implications for practitioners, policymakers, theory, and researchers. These implications are discussed in the following sections.

9.2 Contributions to Theory

The four entrepreneurs identified as Portfolio Builders mostly confirm Sarasvathy’s (2008) findings of the way that expert entrepreneurs act. All of them had been conducting entrepreneurial activities for some years, and each of them had built several ventures. Their decision-making process is fundamentally effectual, and it focuses on resources within reach and on opportunities that are primarily created. An aspect not previously reported in the theory of effectuation has been seen in those four entrepreneurs: they started their journey with an extrinsic, financial-related objective. Effectuation theory explicitly eschews the notion that entrepreneurs start with a goal in mind, it contends that they start with the resources at hand (Morrish, 2009; Kraaijenbrink, Ratinho, & Groen, 2011). The four expert entrepreneurs in this study focused on an opportunity’s potential for wealth creation and business growth as a prerequisite for acting upon the opportunity. It is possible that expert entrepreneurs, in general, are driven by their desire to achieve a concrete, tangible objective, but effectuation principles craft the path to this objective.

Overall, the study suggested that decision-making logics for some entrepreneurs are consistent with effectual principles, but not every principle. For example, some entrepreneurs who mainly acted effectually did not meet either the affordable loss or crazy quilt principles (Pawęta, 2016). Furthermore, this study suggests that both expert and novice entrepreneurs practice effectuation, so it is unclear whether it is a learned process by the serial entrepreneur, as the literature suggests, or it is a decision-making logic that emerges naturally in some individuals.

The literature points out that social network ties appear to hold enhanced importance to entrepreneurs. The crazy quilt principle aligns with previous research on the benefits of social networks regarding sharing resources, knowledge, and information (Ozgen & Baron, 2007; Granovetter, 1992), and specifically about opportunities identification and creation. However, this study shows that social networks are of assistance for validating and assessing
opportunities, rather than to add to the entrepreneurs’ pool of resources, as effectuation indicates. Entrepreneurs seek advice after they assess opportunities, rather than co-create with self-selected stakeholders.

The notion that not every effectual entrepreneur applies every effectuation principle aligns with Chandler et al. (2011), who developed a survey instrument to assess the varying degrees of applied effectuation and causation decision-making logics. Given the results of this study, measures may need to be developed for understanding when each decision-making logic is appropriate; notably, the measures of risk and uncertainty need to be examined. With regard to the constructs or risk and uncertainty, Hmieleski and Baron (2008) explored the notion of market turbulence as a proxy for these constructs, but a finer gauge would allow a more detailed study on effectuation. Particularly, measures that could assess uncertainty in a mature, stable sector like tourism need to be reconsidered.

This study shows that venture performance outcomes are unrelated to the application of effectual logic, but it is related to an entrepreneur’s satisfaction with an entrepreneurial career. Therefore, these findings do not prescribe that effectuation should be the decision-making logic of all entrepreneurs, despite Read et al.’s (2009) suggestion that the principles of effectuation have positive effects on firm performance outcomes regardless of context. Overall, research has examined the logics that experts and novices apply (Dew et al., 2009) and the implications for new ventures (Read et al., 2009), but the literature has not yet addressed how either logic can interact with other personal or environmental variables (e.g., industry context).

The Lifestyler group highlights a potential additional dimension to effectuation theory. The group’s decision-making process centres on an imagined future based on an altruistic cause. In these particular cases, the cause was focused on the environment, culture, or society. The imagined future observed in the entrepreneurs within this group consists of products and services embedding a generalised aspiration. The aspiration is not bound by the entrepreneur’s resources at hand, but by his or her imagination. These entrepreneurs attempted to create a future, unlike effectual thinkers who try to control the future. Arguably, the line dividing “creating the future” and “controlling the future” is tenuous, but for these entrepreneurs, decision making is driven by emotion and a belief in a malleable future. This aspect has not been previously explored in the literature.
The Self-Employed used elements of bricolage. The literature on bricolage is relatively limited, so exploring both entrepreneurial actions and the motives behind resource deployment complement the literature on bricolage. The use of resources at hand plus the way that the resources are used makes one a bricoleur (Senyard et al., 2014) – this apparently overlaps with effectuation logic. However, the bricoleurs in this research were more closely aligned to adopting a causal decision-making logic than an effectual one. The group of entrepreneurs who applied bricolage indeed overcame both resource scarcity and investments in resources, but these achievements came at the cost of venture performance outcomes and satisfaction with the venture. Possibly, resource constraints appear to continue beyond the start-up phase and this curtailed performance outcomes and growth. Given the findings of this study, bricolage can hardly be regarded as an approach to building businesses that could lead to a fertile foundation for competitive advantage.

The findings on the relationship between decision making and performance outcomes reveal a number of contributions to theory. First, entrepreneurs who incorporate elements of effectual thinking tend to be more satisfied than those who apply elements of causal thinking. Second, positive venture performance outcomes are not a prerequisite for the entrepreneur’s satisfaction, and a low performing venture is not a restriction on entrepreneur’s satisfaction – venture performance outcomes and entrepreneur’s satisfaction are separate constructs. Third, causal thinkers show low levels of self-satisfaction, possibly because of the self-restricting features of this way of thinking (e.g., limitations in finding suitable opportunities). Fourth, neither effectual thinking nor causal thinking is necessary or sufficient to achieve high venture performance outcomes. Fifth, working with a pre-existing and known product or service is not a sufficient condition to achieve satisfaction. Lastly, and more importantly, an aspect not previously covered in the literature is that the freedom to create products and services through effectual means is a necessary condition for entrepreneur’s satisfaction, but not a sufficient condition for venture performance outcomes.

Venture performance outcomes also depended on the individual’s reasons for becoming an entrepreneur. Most entrepreneurs in this study were intimately involved with the venture as the venture evolved, and almost all entrepreneurs moved into entrepreneurial action for either financial rewards or to gain independence. Making a living and choosing a specific career path were critical reasons for starting up a venture. Furthermore, choosing independence as a career path influenced the degree of involvement with the venture,
especially with regard to the degree to which the entrepreneur felt emotionally connected with the business. Entrepreneurs seeking independence saw the venture as much more than a channel for their career path but as an expression of their individuality. The venture, their career, and the entrepreneur were perceived as different manifestations of the person. This cognitive orientation influenced the outlook towards growth and venture performance outcomes. The concept of venture growth was considered somewhat incompatible with this mental model as growth meant sacrificing the sense of individuality and identification with the venture.

The interpretation of the interview transcripts did not reveal the widespread deliberate use of heuristics in entrepreneurial decision making. Entrepreneurs in this sample just assumed that they possessed all the information they needed for decision making before entry, and they did not deliberately engage in cognitive shortcuts. Some entrepreneurs sought to have business plans with comprehensive coverage of finance, marketing, and other functional-level matters, and some other entrepreneurs eschewed the notion that success results from well-made, prescient decisions. Putting aside the quality of the pre-launch research undertaken by entrepreneurs, about half of the entrepreneurs firmly believed in the need for foresight. The other half of the entrepreneurs relied on actions, but not necessarily cognitive shortcuts, driven by the desire to minimise financial exposure and the chances of failure. For these entrepreneurs, foresight was not required because they preferred to have any venture, even an underperforming venture, rather than being exposed to high risk in the pursuit of high reward.

The occurrence of failed businesses in the present study suggests the need for broader theorising of the concept of entrepreneurial failure. While a stream of work (Shepherd, Patzelt, & Wolfe, 2011; Shepherd, 2003, 2004; Shepherd, Wiklund, & Haynie, 2009; Shepherd & Cardon, 2009) has contributed to understanding entrepreneurial failure, this study broadens the current conceptualisation of entrepreneurial failure beyond the inability to start a venture. The failed businesses in this study were not the result of the decision-making logic for venture formation, but of a series of events post start-up. Also, this research included events that deviated from the entrepreneurs’ predictions and examined the personal relevance of these events. Failure is an experience of great personal impact, so the theory needs to consider failure at the level of the entrepreneur’s lived experience.
Finally, this study has uncovered the dichotomy that exists in the cognitive and emotional frames of mind about the separation between the entrepreneur and the firm. Entrepreneurs who confound the sense of self with the firm led ventures with low performance outcomes and no growth. However, this was not necessarily a cause for entrepreneur’s dissatisfaction. The principle “the entrepreneur is not the venture” (Sarasvathy, 2004a) was not observed in over half of the entrepreneurs in the sample.

9.3 Implications for Practitioners

In the pursuit of entrepreneurial action in tourism, entrepreneurs do not necessarily need to rely on expertise in the sector, or even have a concrete opportunity in mind. Instead, entrepreneurs should focus on a cognitive and deliberate sense of openness to either creation of opportunities or serendipitous discovery of opportunities. Regardless of the approach to opportunities, if an aspiring entrepreneur wants to move to entrepreneurial action with the view to gain financial rewards, then a stretching financially-related objective should be articulated to provide a pull effect. This study observed that financially-motivated entrepreneurs built ventures that performed better than those who were motivated by an independent lifestyle. Furthermore, any entrepreneur who focuses on financial goals should seriously consider tourism as a financially rewarding sector in which to establish a venture. These entrepreneurs should keep in mind that the relatively low productivity of tourism provides opportunities to compete successfully against established operators by implementing sound business practices.

Entrepreneurs who have found opportunities can benefit from proper business planning. The positive effects of business planning for entrepreneurs who are motivated by financial rewards are evident. However, the value of business planning would depend on whether the found opportunity leads to creative and innovative products and attractions. Creative and innovative entrepreneurial activity brings uncertainty, hence reducing the benefits of business planning. Focusing on controlling resources, adopting effectual thinking, and applying techniques such as fast-fail (Gilbert & Eyring, 2010) and lean start-up (Blank, 2013) may be better suited to these circumstances, rather than in-depth business planning. A focus on harnessing resources at hand provides a degree of flexibility that enables product and attractions to emerge by sense-making and learning. If there is an existing market, the quality and quantity of information for business planning increases, and it would be logical to dedicate time and resources to business planning.
The importance of background and expertise implies that entrepreneurial experience, both from the entrepreneur and from others, could exercise a significant effect on the performance outcomes of the venture. Shaping the entrepreneurs’ cognitive frameworks from background and expertise can assist with enhancing venture performance outcomes. It appears that business skills learned in business-related positions or formal studies are critical for the new venture – not critical for survival, but necessary for good performance outcomes, scalability, and growth. Formal and experiential learning, either self-initiated or directed by advisors or business incubators could make a difference.

The difficulty in identifying new opportunities should not constrain entrepreneurs who adopt a causal approach to decision making. Instead, causal entrepreneurs should consider the principles of effectuation to grow their businesses by crafting new opportunities, whether by launching complementary products and services or diversifying. Accepting that opportunities are not always found, but made, and being both mentally prepared and willing to shift an entrepreneur’s natural preference may provide a platform for further growth through a portfolio of products and attractions.

9.4 Implications for Policy Makers

The depth and breadth of entrepreneurial activity in the tourism sector may incentivise policymakers to explore ways to support new ventures to ensure continuing growth and employment opportunities. The importance of tourism to New Zealand can never be overstated. Although businesses in the tourism sector could potentially contribute to job creation and economic growth, while fostering innovation that could strengthen New Zealand’s capabilities, most of these businesses remain small and operate under an owner-manager model.

From the perspective of policymakers, it is essential to keep in mind that the Portfolio Builder is the type of entrepreneur with the highest contribution to New Zealand’s GDP. The Portfolio Builder employs staff, finds synergy among businesses, is satisfied with running businesses, and the businesses perform well. The question is: What can be done for entrepreneurs who fall into the other categories to become Portfolio Builders? Figure 9.1 shows how the various typologies should shift to reach the Portfolio Builder quadrant.
As mentioned in section 8.1.1, a significant distinction between Lifestylers and Portfolio Builders is that the former did not have a formal tertiary education. Policymakers should consider supporting or sponsoring programmes to develop and enhance the business skills of prospective and existing Lifestylers as a way of shifting them from being Lifestylers to becoming Portfolio Builders. Policy makers may also sponsor mentorship and coaching programmes to help prospective and existing Lifestylers reflect on their knowledge and expertise as well as bring a focus on their motivation for starting a new venture. Facilitating the engagement of successful entrepreneurs in a type of “buddy” program through government subsidies and financial assistance may lead to new ventures that perform better and engage new entrepreneurs with a sense of personal satisfaction from their choice of becoming entrepreneurs. Existing Lifestylers may be offered workshops or other types of assistance to reflect on how extending their product offering or exploring new markets could be achieved. The expected economic returns of sponsoring these programmes may serve as a justification for central or local government assistance.

The Self-Employed path to Portfolio Builder can be done in two steps; first, a shift to becoming Business Managers, and second, from Business Managers to Portfolio Builders.
Given that the Self-Employed naturally engage in traditional causal business planning, albeit superficially, policymakers should develop courses, workshops, and other educational pathways in which tools and templates that would suit new ventures could be explained. Typical managerial skills could also be taught, like the Icehouse’s Owner-Manager Programme, but specifically designed for sole-operators in the tourism industry. Such programmes should involve both skills and techniques, from managing people to developing marketing processes. Those workshops should be tailored and specially designed for aspiring entrepreneurs in the tourism sector; this approach can be more valuable than leaving the entrepreneur to apply models and frameworks that are suitable to a general large-company setting. For example, tertiary institutions, local government bodies (e.g., Auckland Tourism Events and Economic Development), and business incubators should develop strategic management courses specifically designed for the Self-Employed to understand concepts such as unique value proposition. Self-Employed entrepreneurs can use these tools because they feel attuned to causal logic and focus on found opportunities.

A shift from Business Manager to Portfolio Builder seems a natural move and similar to a business moving from a single business unit configuration to a corporate structure with several business units. Inculcating the principles of effectuation to causal entrepreneurs, such as the Business Manager group, can help them develop a portfolio of created products and services and become Portfolio Builders. This follows Read et al. (2010), who pointed out that effectuation involves a series of principles that are teachable and learnable. Workshops to stimulate creative thinking and options around new products and new markets that could build synergies with the Business Manager’s existing product could also be facilitated.

From the entrepreneurial skills development and educational perspective, the idea of failure could provide a compelling platform for entrepreneurial learning because “it’s often easier to pinpoint why a failure has occurred than to explain a success” (McGrath, 1999, p. 28). Shepherd (2004) recommends specific action to enhance entrepreneurship education, specifically on the possibility of failure and what aspiring entrepreneurs could learn from stories of failure. Shepherd (2004) also suggests that aspiring entrepreneurs be in contact with prior entrepreneurs who have experienced significant failure or committed significant mistakes. Case studies should avoid survivor bias by including near-failure and failure stories. Role play activities and simulations could be developed to put participants in the
context of terminating a business with dignity. The real options mindset (McGrath, 1999), coupled with the evaluation of emotional and financial costs, would prevent entrepreneurs from wasting resources in inevitable business closure (Shepherd et al., 2009).

9.5 Limitations

The focus on New Zealand is a critical limitation. Cultural characteristics resulting from country-specific idiosyncrasies and attitudes toward both professional career choices and lifestyle orientation might have influenced the results. The relatively low number of career opportunities in established, large companies in New Zealand might unwittingly provide an incentive for individuals to move to entrepreneurial endeavours without a background in business. Future research could compare and contrast the decision-making approaches by individuals in different geographical contexts to both overcome this limitation and underpin generalisation.

The focus on a single industry is another limitation of this study, particularly because lifestyle, non-economic motives have been documented as one of the prime motivations of entrepreneurial activity in the tourism industry. In their investigation of New Zealand tourism entrepreneurs, Ateljevic and Doorne (2000) found that the focus on lifestyle choices, rather than on financial and economic growth, is a thoughtful expression of socio-political values. Arguably, there are lifestyle entrepreneurs in many industries, but lifestyle motivations are standard across the entire tourism sector. Although rejection of profit-orientation does not lead to financial recklessness, the particular values of tourism entrepreneurs pervade the decision-making logic that is adopted, and the performance outcomes from the logic.

Respondents were interviewed at only one point in time and asked to provide, retrospectively, information on behaviour and events that happened in the past; this limits this study’s ability to make causal claims about the relationship among variables. A longitudinal study might provide a platform for exploring the evolution of entrepreneurial decision making over time more objectively and dependent on the maturity of the venture. Changes in decision making may be expected depending on an evolving external environment that may lead to strategic drift. Opportunities and challenges arising from a changing external environment may require different entrepreneurial approaches. As the venture grows and markets become more mature and established, uncertainty decreases. This might lead effectual entrepreneurs to adopt causal thinking. Conversely, causal-
thinking entrepreneurs might interact with self-selected stakeholders who could provide opportunities for effectual thinking.

Furthermore, this study’s sample was selected to assess entrepreneurial decision making at the start-up phase, while performance outcomes were captured at the time of data collection. The entrepreneur generically disclosed venture performance outcomes evolution. The temporal difference between decision making and performance outcomes was deliberate to lend credibility to the potential causal relationship between decision making at start-up and subsequent performance outcomes. However, the temporal gap between decision making and performance outcomes was mostly dissimilar across the sample. Arguably, different gaps between decision making and performance outcomes make the influence of decision making during start-up less relevant over time. That is, the wider the time gap, the more factors confounding the causes of performance outcomes; the further away performance outcomes are measured, the lower the influence of start-up decisions.

This study cannot conclude that effectual thinking is an entrepreneur-specific approach to decision making. Theories such as bricolage and improvisation that are analogous to effectuation, especially about some of the entrepreneurs’ behaviours are not exclusive to entrepreneurship. Possibly, the decision-making approaches found in this study may be present in existing, mature businesses rather than in start-ups only. Causal thinking is found in large, mature companies operating in stable environments and anecdotal comments on the use of effectuation in a corporate environment have started to appear in popular business writing.

The focus of this study was on elucidating the entrepreneur’s decision-making logic, background and outcomes through interviews and secondary data. Subjectivist research approaches, such as phenomenology, personal construct psychology, or narrative methods, might shed more light on entrepreneurial thinking. Furthermore, the use of subjectivist approaches might produce insightful observations on the relationship that exists between the entrepreneur and the firm, and to test whether the principle “the entrepreneur is not the venture” (Sarasvathy, 2004a) is, in fact, generalisable. Whittaker et al. (2009) looked at this aspect as well as its relationships with different environments.

This study included 19 entrepreneurs. According to Eisenhardt and Graebner (2007) and Eisenhardt (1989), four to ten cases provide a good foundation for theoretical generalisation.
Although this research can lead to a generalisable theory, a study utilising a more homogeneous data set could provide a more in-depth analysis than what is in this study. Criteria such as similar venture size and venture age could allow some control for confounding effects, more robustness, and overall standardisation of the sample.

While quantitative procedures might not be appropriate for a complex, emerging paradigm like entrepreneurship, qualitative studies that use traditional retrospective data collection methods, such as interviews, also might not be adequate for capturing a process that unfolds over time (Bygrave, 1989, 2007). In particular, several biases can threaten the generalisability of the results. Asking entrepreneurs to report on their new venture ideas is subject to several biases, such as retrospective bias (Aaker, Kumar, & Day, 2008; Feldman & March, 1981; Goodwin, 2009), attribution bias (Fiske & Taylor, 1991), and self-reporting bias (Sandberg & Hofer, 1987). The findings reflect the participants’ experiences as they perceive and make sense of them. Thus, the nature of the data is subjective – it focuses on the retrospective telling of lived experiences and inevitably includes interpretations and hindsight reasoning.

Although Howard (2011) argued that persons could accurately recall retrospective data and the process could yield usable survey data, retrospective bias has been considered a significant limitation in most studies that examine performance outcomes as a dependent variable (March & Sutton, 1997). Accordingly, retrospective sense-making on behalf of the subjects may have influenced the results of these studies. The accuracy of the replies to the interview questions depended, in part, upon the ability to recall relevant facts for a time in their sometimes distant past. In the retrospective recall, respondents tend to rationalise historical events, as well as find logic in the causes and consequences of their actions. To address this issue, the researcher sometimes thoroughly probed the participants to verify the narratives. Although triangulating the interview data has mitigated the bias, it is not possible to triangulate some of the steps in the process of adopting a decision-making logic, so a level of risk remains.

Davidsson (2005) explains that retrospective bias is difficult to overcome. Relying on the work of Arkes, Faust, Guilmette, and Hart (1988) in the field of cognitive psychology, Davidsson (2005) points out that reconstructed memories of events often have different characteristics than current perceptions of those events. Since entrepreneurship is increasingly considered an emergent process, Davidsson (2004) acknowledges the need for
ex-post investigations of entrepreneurship processes, which is one of the most significant challenges facing entrepreneurship researchers.

Findings may have limited generalisability due to bounds to the researcher’s sense-making. The results of this research have been discussed with supervisors, colleagues, and other researchers, and the supervisor reviewed the coding of the data. The researcher plays a significant role in interpreting the data appropriately and, as such, the biases, judgments, and values of the researcher become embedded in the study (Creswell, 1994). As a practitioner in the field, the researcher was fully aware of his biases and took every measure to control for them. I monitored personal assumptions and beliefs about the study because, if left unchecked, these can affect data collection, analysis, and findings (Denzin & Lincoln, 1998; Yin, 1994). In any event, there is no objective criterion to measure the generalisability of these results. Instead, the quality of the research derives from the processes used and the close adherence to the data while fostering the integrity of the presented findings (Eisenhardt & Graebner, 2007).

The last point is that, as with most business research, only the survivors are studied. Despite the fact that three unsuccessful ventures were included in the sample, the sample was dominated by existing ventures, some of which were very successful. This is also a limitation of the extant research, which has mostly investigated only entrepreneurial ventures that have launched and survived, and this introduces concerns about validity due to survivor bias (Davidsson & Gordon, 2012). Locating ventures that are nascent and not launched or not survived is difficult (Reynolds, 1997). Unfortunately, tracking down former entrepreneurs who have gone out of business requires spending a significant amount of time searching for them in the community. Business incubators may, through the use of snowball techniques, find the names of individuals who once desired to start a venture. However, this technique may only lead to highly visible entrepreneurs (e.g., those that sought external funding from venture capitalists), leaving the typical small-scale entrepreneurs undiscovered.

Although this study did not deliberately set out to include unsuccessful ventures, due to a series of fortuitous events, three ventures decided to close after recruitment into the study was complete. Therefore, this research includes data from three entrepreneurial efforts that have either failed or been abandoned. Both successful and unsuccessful entrepreneurial efforts yield data that are likely to be quite relevant. This somewhat addresses Davidsson’s
(2005) objection that, by interviewing extant entrepreneurs, research focuses on winners, not losers. As Davidsson (2005) points out, interviewing entrepreneurs who launched and survived is like interviewing only gamblers who win, which leads to the conclusion that gambling is a sure way of winning. However, survival is not a simple binary variable where firms change from one state to another state suddenly. In this thesis, survival and failure are events with an accompanying history that is relevant to understanding the decision-making logic.

Researchers have attempted to examine the question why some entrepreneurial firms outperform others (Meyer & Heppard, 2000). Including unsuccessful firms allows researchers to construct a complete explanation of success than if only existing firms are included. Sitkin (1992) argued that it is easier to pinpoint why a failure has occurred than to explain success, and this makes failure analysis a powerful mechanism for resolving uncertainty. The problem of survivor bias is particularly detrimental if the dependent variable is performance outcomes and if there is persistence in the performance outcomes over time. Therefore, a limitation of this research may be overcome if there is a more systematic and broader examination of unsuccessful ventures, especially considering that only half of the aspiring founders succeed in creating new organizations that are ever recorded in public records (Aldrich, 1999).

9.6 Further Research

Further research might be designed to address and overcome the limitations included in the previous section, thus providing a valuable pathway for strengthening the findings from this study. First, a longitudinal study, as opposed to this study’s reliance on retrospective recall, would allow a closer and more accurate examination of entrepreneurial decision-making logics and their relationship to venture outcomes. A longitudinal study may enable an understanding of whether different decision-making logics shift over time depending on the particular events faced by the entrepreneur. In particular, it would be interesting to see the changes in decision making across time, for example (1) a change from effectual to causal as the venture grows, becomes mature, becomes stable, and uncertainty decreases, and (2) a change from causal to effectual as the entrepreneur becomes experienced. Conversely, a cross-sectional study right at the venture’s nascent point can answer questions such as What topics can entrepreneurs usefully and adequately decide before starting the business?, How
can entrepreneurs focus on fruitful decision making?, and Can entrepreneurs avoid entanglement in decisions that produce undesired outcomes?

Further studies might consider think-aloud protocols used by Sarasvathy (2001a) and subjectivist research methodologies suggested by Endres and Woods (2007), such as Csikszentmihalyi’s (1996) multistage process of examining the subjectivist aspects of creativity, life stories (Rae, 2000), and Kelly’s (1955) personal construct theory. This would enable a detailed exploration of entrepreneurial thinking within a particular decision-making logic.

A study incorporating twelve or more cases, like in this research, could lead to a plausible, well-grounded and generalisable theory (Eisenhardt & Graebner, 2007). Similarly, Eisenhardt (1989) argued that a cross-case analysis involving four to ten case studies can provide a sound basis for analytical generalisation. A more homogeneous sample of entrepreneurial firms that are more similar in age, industry, or size, would allow a more robust cross-case analysis. Furthermore, Davidsson (2004) contended that the complexity of start-ups requires analysis of homogeneous subgroups to yield useful results, even if the increase in validity means a reduction in generalizability. Davidsson and Gordon (2012) recommended designing research around a particular type of venture and founder within a study.

Given the uniqueness of a small open economy like New Zealand, which relies heavily on tourism as a generator of foreign exchange revenue, research on entrepreneurial logics and outcomes may not enable generalisability of results. Similar studies in other countries and industries can remove the country- and industry-specific characteristics that may have influenced some individual level findings in this study, such as the observed reasons for pursuing an entrepreneurial career. Future research should build and ultimately test the findings on a comparative data set in different national contexts to eliminate this limitation to theoretical generalisation.

Consideration of entrepreneurial decision-making logics through lenses such as psychology, sociology, and behavioural finance would allow the interpretation of entrepreneurial action within a more general theoretical framework. Specifically, a perspective from different fields may reveal that decision-making logics serve the economic success of start-ups in a way not explored by this study, or support something other than the venture’s economic
success. These options are persuasive because they suggest notions related to the specifics of entrepreneurial action. Exploring whether a decision-making logic is an essential core competence of entrepreneurs who manage to achieve a sustainable competitive advantage is an interesting line of research. If a decision-making logic assists with achieving a particular type of success, other than those listed here as either venture or entrepreneur success, then a well-designed study might discover hidden benefits.

Given that expert entrepreneurs practice effectuation, and that the lack of external opportunities constrained the causal entrepreneurs in this study, it would be interesting to observe if causal entrepreneurs experience a shift in decision-making approach in the pursuit of further opportunities. Perhaps, entrepreneurs who find it difficult to grow by market penetration could either diversify or embark on product development by using effectual thinking to create, rather than find, opportunities. This could be complemented by exploring whether the corridor principle (Ronstadt, 1989) applies, that is, explore whether opportunities outside the intersecting venture corridor that the entrepreneur has entered are either explored or created.

Effectuation is based on the idea that entrepreneurs do not start with a goal in mind, but that entrepreneurs look at the resources at hand to create a series of effects. The effectual entrepreneurs in this study started with the intention of leveraging a new venture to meet a personal vision or pursuit. Also, some effectual entrepreneurs mentioned that what motivated them to become entrepreneurs was the objective of reaching financial wealth. This means that some entrepreneurs moved to entrepreneurial action as a result of an imagined future, possibly a personal vision for themselves that influenced decision making. It would be interesting to explore whether this is an additional dimension that is found in the approach that effectual thinkers adopt in other contexts. Although this personal vision is not regarded as an a priori goal, as in the case of causal thinkers, decisions and actions may be directed, or even shaped, by their vision. The entrepreneur’s resources do not constrain the personal vision, but the personal vision is met by applying effectual thinking in an intuitive, non-deliberate manner.

One set of entrepreneurs “made do” by using resources at hand and combining them for new purposes. These entrepreneurs appeared unconstrained in their ability to both make new meaning from this set of particular resources and turn them into a venture. In parallel, however, these entrepreneurs, who seemed to possess the unchecked freedom to define new
uses for and new meanings to the resources under their control, were constrained by their mental models of what constitutes a successful venture. The paradox of, on the one hand, having the freedom to re-purpose resources to fit an externally-driven opportunity and, on the other, being constrained by the emotional connection they felt with the venture, could be explored further. Cognitively, these entrepreneurs successfully managed to improvise with the resources at hand and within the boundaries of causal, linear decision making. However, they were subsequently inhibited to break away from the mental paradigm that saw themselves as one with the venture. Further research in this area could contribute to the entrepreneurial notion of bricolage.

The generality of decision making is an assumption in the traditional management literature (Ansoff, 1965; Mintzberg, 1978; Porter, 1980; Teece, Pisano, & Shuen, 1997; Wernerfelt, 1984). A study to investigate whether entrepreneurial action involves decisions that differ from the decisions of managers of established businesses would reinforce, or otherwise, the lack of distinction between the terms entrepreneur and manager noted by Begley and Boyd (1987). If a manager and an entrepreneur both aim to launch new product and services with constraints and limited resources, would they both apply similar decision-making logics?

9.7 Final Reflections

This study integrated several aspects of entrepreneurship theory with entrepreneurial decision making at centre stage; decision making is of critical importance to the way that new ventures and entrepreneurs perform. Fundamentally, this research has put forward the notion of four entrepreneurial decision-making approaches to the formation of new ventures. Those approaches relate to the entrepreneur’s background and motivation.

Different decision-making approaches were found to lead to different levels of performance outcomes. Ultimately, the thesis contributes to the understanding of how entrepreneurial activity is conducted and why it matters. Although the mere act of launching a new venture does not require specific human capabilities, launching a commercially successful venture requires a combination of skills and a focus on an exogenous reward. This thesis summarises how those two, and other, aspects shape the approach to entrepreneurial decision making and, eventually, venture performance outcomes.

Individual differences do matter because they affect outcomes. Individual differences manifest themselves through the series of steps that occur from the time an individual
decides to move to entrepreneurial action until the time entrepreneurial action delivers a performance outcome. The individual differences that matter and shape decision making include the entrepreneur’s background and expertise, as well as whether extrinsic or intrinsic rewards motivate the entrepreneur. Cognitive and emotional characteristics matter as well, and these also relate to the way that an entrepreneur engages with his or her venture. The sense of engagement with the venture is closely aligned with what motivates an individual to become an entrepreneur and, in turn, to varying levels of performance outcomes.

Cognitive and emotional aspects mark the interaction between entrepreneurs and firms. In some cases, entrepreneurs and firms collapse into each other; in others, they do not. The interaction between individuals and firms is of importance because it relates to how ventures perform. Likewise, cognitive and emotional aspects mark the interaction between entrepreneurs and opportunities. In some cases, opportunities exist independently of entrepreneurs; in other cases, opportunities emerge from the actions of entrepreneurs. Whether the relationship between entrepreneurs and firms is explored or the relationship between entrepreneurs and opportunities is explored, dualism and dichotomies are to be expected. Entrepreneurship theories need to incorporate the interplay between entrepreneurs, opportunities, and firms to paint a complete picture of what makes an individual and a new venture perform. This study has provided insights into this interaction.

Relying on technical knowledge of a product or service assists with the process of identifying opportunities. However, technical knowledge does not lead to an entrepreneur’s satisfaction, even when the technical know-how relates to a product or activity that the entrepreneur likes. Working in an area that the entrepreneur has some affinity with is not a specific way to become a satisfied entrepreneur, neither does it necessarily lead to satisfactory venture performance outcomes. Technical knowledge assists with identifying opportunities, but it is not the only pathway to discover entrepreneurial opportunities.

It is often quoted that entrepreneurial businesses in New Zealand, especially in the tourism sector, remain small due to the lifestyle, rather than growth, aspirations of their owners. Although this study uncovered many entrepreneurs who decided to pursue an entrepreneurial career for personal satisfaction and lifestyle reasons, there was an equal number of entrepreneurs who focused strongly on competitive, objective measures of venture performance outcomes. This study also found that pursuing a high level of venture performance outcomes did not necessarily come at the expense of the entrepreneur’s
satisfaction, or vice-versa. Entrepreneurs might be more or less satisfied with their careers as entrepreneurs regardless as to how the venture performs. An underperforming venture is not necessarily a source of dissatisfaction for entrepreneurs, and a well-performing venture is not necessarily a sure source of satisfaction. Importantly, venture performance outcomes and entrepreneur satisfaction are not the same or mutually exclusive concepts.

Over the years, tourism has been either the first or the second economic sector regarding its contribution to GDP, thus being central to New Zealand’s well-being. Tourism is dominated by a myriad of small and micro-businesses that, in aggregate, underperform in measures of productivity and growth. According to this study, individual motivational choices of New Zealand tourism entrepreneurs might be responsible for productivity and growth outcomes in half of the businesses. Since independence-seeking entrepreneurs are overrepresented in the tourism industry, it might be interesting to see whether those effects are present in different industries. Further areas of research might focus on other sectors of the New Zealand economy. Nevertheless, the findings from this study reveal on-going characteristics of the actors within an economic sector on which New Zealanders’ standard of living depends.

Personal and business aspirations can be jointly pursued and achieved. In particular, satisfaction is likely to be achieved when the entrepreneurial approach taken has elements of opportunity creation as opposed to opportunity found. Entrepreneurial satisfaction is prevalent in entrepreneurs who crafted an opportunity rather than in those that found an opportunity. Deep inside, people seem to want to create things.
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This chapter presents the tourism industry cases, using the interview transcripts and secondary data collected using the research methods detailed in the previous chapter. Each section summarises the entrepreneurs and their tourism ventures, including a table-format snapshot of the salient features of each case. The objective of this chapter is to provide a succinct snapshot of each case, to enable the reader to get a sense of the cases and of some of the themes that will be analysed in subsequent chapters. Names of businesses and entrepreneurs as well as location details have been disguised.

1 John and Jean: Eco-Tours and Traditional New Zealand Farming

These two entrepreneurs, husband, and wife, run an eco-tour and traditional NZ farming tourist experience. They both have a farming background, and the opportunity was first explored during a conversation with a family friend. John and Jean focused on developing the farm on sustainable principles and, after having implemented a range of ecological actions to offset the carbon generated by the farm tours, they now claim to run an eco-tour and eco-farming business for visitors. The business continues to be run under an owner-manager, family business model with no employees. Table Appendix 1.1 provides a quick summary of John and Jean’s case.

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Response to personal circumstances requiring a source of income, continue with an independent lifestyle</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Sketch of an idea from friend perceived potential customer demand</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own knowledge and resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Shaped by customer demand, but constrained by own principles, values (i.e., environmental sustainability), and resources</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, Facebook™ profile, TripAdvisor™ comments, industry association entries, local newspaper clippings, brochures, website, Google Analytics™</td>
</tr>
</tbody>
</table>
2 Graham and Mary: Marine Life Ecology

These two entrepreneurs, husband and wife, run a marine life ecology tourism experience, centred on a glass bottom boat. Initially, the business attracted significant interest from visitors, to the point that the boat did not have sufficient capacity to accommodate the demand. After five years, Graham decided to build a bigger boat. Since then, the business has become a unique attraction on its own. Table Appendix 1.2 provides a quick summary of Graham and Mary’s case.

Table Appendix 1.2. Summary of Graham and Mary Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Response to personal circumstances requiring a source of income, sense of autonomy and independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Emerged from attempts to be engaged in a boating activity</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own knowledge and resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Cyclical, after launching a scaled down service</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, industry association entries, local newspaper clippings, brochures, website, Google Analytics™, WayBack Machine™, researcher-experienced activity, personal observations</td>
</tr>
</tbody>
</table>

3 Tipene: Eco and Cultural Tours

This entrepreneur runs eco and cultural tours around the North Island. Initially, running a big bus allowed Tipene to achieve some economies of scale. However, after a few months, he realised that the market segment he had identified was not profitable; he needed to tap into customers who might be willing to pay much more than the $400 per day fare he had initially targeted. Tipene sold the big bus, bought a range of luxury cars, and focused on collaborating with three of the top five private travel consultants in New Zealand – the ones that “deal with the 1%,” as he put it. Table Appendix 1.3 provides a quick summary of Tipene’s case.
Table Appendix 1.3. Summary of Tipene Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Desire to work independently, no corporate life</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Reshaped initial business as a result of market input</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own knowledge and resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Shaped in an agile fashion after reflecting on market input</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, industry association entries, brochures, website, Google Analytics™, WayBack Machine™</td>
</tr>
</tbody>
</table>

4 Colin: Adventure Park

Colin runs an adventure park tourist attraction. While in Europe, he saw an outdoor adventure park, which consisted of a series of physically demanding challenges or courses. After five years of steady growth in customers, Colin expanded the business by acquiring adjacent land and adding more courses to the park. He also added more creative options to the way that visitors can undertake the challenges. Table Appendix 1.4 provides a quick summary of Colin’s case.

Table Appendix 1.4. Summary of Colin Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Build personal wealth, become financially independent</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Saw opportunity overseas customised an overseas product</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Personal financial resources, debt funded, shareholder’s equity</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, advertisements, LinkedIn™ and Facebook™ profiles, TripAdvisor™ comments, brochures, website, Google Analytics™, WayBack Machine™, researcher-experienced attraction, personal observations, casual conversation with employees</td>
</tr>
</tbody>
</table>
5 Bjorn: Marine Ecology

Bjorn runs a marine ecology tourist attraction. He is a serial entrepreneur who operates some businesses that emerged after developing a reef utilising a sunken ship. He implemented several business ideas once the reefs were fully developed. He started several operations that took advantage of the reefs, such as scuba diving, fishing, and eco-tours. Table Appendix 1.5 provides a quick summary of Bjorn’s case.

Table Appendix 1.5. Summary of Bjorn Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Personal wealth, financial independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Emerged from serendipitous events</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, serendipitous events</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Shaped from market input, responded to customer demand</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, industry association entries, brochures, website, Google Analytics™, WayBack Machine™, newspaper clippings</td>
</tr>
</tbody>
</table>

6 Kevin: Jet Boating

Kevin operates a jet boating tourist attraction. During the initial few months, the business was self-sustaining, but it was not as profitable as he had hoped. To realise his goals, within 24 months Kevin built two more boats. Currently, the business employs ten full-time staff. The next stage in the development of his business will be to relocate it to an area with higher foot traffic and closer to restaurants and bars. Table Appendix 1.6 provides a quick summary of Kevin’s case.
Table Appendix 1.6. Summary of Kevin Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Autonomy, independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Observed it overseas</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Financial investment, loans, shareholder’s equity</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, minor changes after launch</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, Facebook™ comments, point-of-sale material, brochures, website, Google Analytics™, WayBack Machine™, personal observations, researcher-experienced product, informal conversations with employees</td>
</tr>
</tbody>
</table>

7 Thomas: Surf and Ski

Thomas runs a surf and ski tourist attraction. Initially, the business targeted the backpacker segment and started to attract many customers shortly after launching. When talking with customers, Thomas noticed that there was a significant market for five-day surf tours. Currently, Justin enjoys the independence and income that he was dreaming of before he started. He remains committed to running the business himself, after buying out his business partner. Table Appendix 1.7 provides a quick summary of Thomas’ case.

Table Appendix 1.7. Summary of Thomas Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Independence, source of personal income</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Liked the activity, conversations with friends</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, additional investment from partner</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Responded to customer input</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, Facebook™ comments, and profile, TripAdvisor™ comments, marketing material, brochures</td>
</tr>
</tbody>
</table>
8 Craig: Adventure Travel Organiser

Craig runs an adventure travel organising business. Applying a smart Google Adwords™ campaign and affiliate links to other sites, Craig built a business that offers several services, including customised adventure tourism packages, which include himself as the guide. He engages an overseas clientele and organises every aspect of an adventure-based itinerary for them. Typical itineraries include activities such as mountain biking and hiking, all of which attempt to exploit New Zealand’s landscape and scenery. Table Appendix 1.8 provides a quick summary of Craig’s case.

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Autonomy, independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity/hobby, serendipitous events</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, minimum investment required</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Shaped from market input, responded to customer demand</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, brochures, website, Google Analytics™, advertisements</td>
</tr>
</tbody>
</table>

9 Justin: Mountain Bike Park

Justin runs a mountain bike tourist attraction with two other partners. Within the first three years, Justin and his partners managed the transition to a well-recognised, established business. From then on, Justin spent some time researching how other adventure activity businesses operate as a source of ideas. Many features and options were incorporated as a result of his observations, including approaching school teachers to consider mountain biking as part of the physical education curriculum. Other promotional activities included the provision of services to companies for corporate events like team building exercises. The implementation of a series of such ideas enabled the business to grow and expand. The bike park currently employs 20 staff. Table Appendix 1.9 summarises Justin’s case.
Table Appendix 1.9. Summary of Justin Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Financial independence, personal wealth</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity, previous employment</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Financial investment, loans, shareholder’s equity</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, minor changes after launch</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, Facebook™ comments, point-of-sale material, brochures, website, Google Analytics™, WayBack Machine™, personal observations, researcher-experienced product, informal conversations with employees</td>
</tr>
</tbody>
</table>

10 Peter: Eco-cruising

Peter ran an eco-cruising business. While working in dairy farming, he saw several boating attractions during a trip to England and Scotland. This motivated him to consider starting an eco-cruising venture in New Zealand. He realised that his product would need to attract demand from the 40-years-and-over age group, which included customers interested in the historical significance of the settings and places of the cruise. His business could not attract the young segment of the market, the backpackers, and the independent travellers. After four years in operation, Peter decided to close down the business. Table Appendix 1.10 provides a quick summary of Peter’s case.

Table Appendix 1.10. Summary of Peter Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Autonomy, independence, source of income</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Knew the activity, proximity to lake</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources and knowledge, personal investment, loan.</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, minor changes after launch</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, point-of-sale material, brochures, personal observations</td>
</tr>
</tbody>
</table>
11 Stephen: Eco-tours

Stephen runs an eco-tours business. Stephen bought a couple of written-off vans, which he restored to near new. He used those as touring buses to take people to bush and beach walks. He incorporated elements of survivalism, but this aspect was limited to, among other features, showing people what they should do if they ever got lost in the bush and how to do it, including how to manufacture improvised tools. Currently, the focus is exclusively on the bush and beach environmental tours, which are still run as an owner-operator model. Table Appendix 1.11 provides a quick summary of Stephen’s case.

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Source of additional income, autonomy</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity, hobby</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own knowledge and resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>Shifted after analysing market input</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, advertisements</td>
</tr>
</tbody>
</table>

12 Jeremy: Motorcycling Adventures

Jeremy runs a motorcycling adventure business. His business offers customised 21-day tours, including pre-arranged accommodation and activities around both the North and the South Islands. Since the launch, sales have doubled every year for the past three years, and this high turnover has allowed the business to acquire a newer and larger fleet of motorcycles. Also, Jeremy has included several innovations to the products or activities offered, including a range of activities for the partners of customers when they do not ride motorcycles. Table Appendix 1.12 provides a quick summary of Jeremy’s case.
Table Appendix 1.12. Summary of Jeremy Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Build substantial equity by growing the business, personal wealth</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Observed it overseas, personal activity</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Personal investment, debt</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, TripAdvisor™ comments, Facebook™ comments, brochures, website, Google Analytics™, WayBack Machine™</td>
</tr>
</tbody>
</table>

13 Ivan: Coastal Scenic Trips

Ivan ran an eco-coastal and scenic tours company. The business offered snorkelling and scenic coastal tours around various locations in Northland with commentary on the history, legends, and background of the places. Ivan's venture was the first one in the region to offer these services. The first few months of operation saw Ivan’s business breaking even, but a lousy season left Ivan with limited funds to embark on the purchase of a bigger boat. These and other factors jeopardised Ivan’s chances of continuing his business so, after three years of operation, he decided to close it down. Table Appendix 1.13 provides a quick summary of Ivan’s case.

Table Appendix 1.13. Summary of Ivan Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Financial independence, personal wealth</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Personal investment, debt, own resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, LinkedIn™ profile, comments, brochures, website, Google Analytics™, WayBack Machine™, newspaper articles</td>
</tr>
</tbody>
</table>
14 Wayne: Parachuting

Wayne runs a parachuting tourist attraction. After many months of fighting the bureaucracy of the local authorities, reconditioning his set of parachutes, and negotiating with aviation firms, he launched his business, but with modest success and performance outcomes. He has made some modifications to his service offering and now uses hang-gliders in addition to traditional parachutes. Table Appendix 1.14 provides a quick summary of Wayne’s case.

Table Appendix 1.14. Summary of Wayne Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Source of income, autonomy, independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Previous employment, personal activity</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, changed location</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, entries in industry associations.</td>
</tr>
</tbody>
</table>

15 Donovan: Eco Guided Tours

Donovan runs an eco- and cultural guided tours business. He launched the business after buying a small van, launching a basic website, and printing some brochures that were left at critical points around Auckland. The business currently employs three permanent staff and five casual employees during the summer season. Donovan continues to be involved in the daily running of the business and holds the overall responsibility for delivering every aspect of the tours. Table Appendix 1.15 provides a quick summary of Donovan’s case.
Table Appendix 1.15. Summary of Donovan Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Personal wealth, financial independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Cultural activity, heritage</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, own knowledge, and expertise</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, entries in industry association, marketing material, LinkedIn™ profile</td>
</tr>
</tbody>
</table>

16 Ben: Cycling Tours

Ben runs a cycling tours business. The tour consists of cycling for several days and staying overnight at pre-arranged accommodation providers. Over the three years of operation, Ben’s business has experienced a slow, but consistent, increase in sales, with customers mainly coming from the UK, the USA, and Australia. The current level of income covers operating expenses, but it is not yet contributing to covering capital expenses. Table Appendix 1.16 provides a quick summary of Ben’s case.

Table Appendix 1.16. Summary of Ben Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Personal wealth, financial independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity saw activity overseas</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, own knowledge, and expertise, personal investment</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, entries in industry association, marketing material, LinkedIn™ profile</td>
</tr>
</tbody>
</table>

17 Jimmy: Luxury Adventure Tours

Jimmy ran a luxury adventure tours business. The business consisted of some adventure-packaged tours aimed explicitly at an upmarket customer segment, mainly from Europe. The tours consisted of several adventure-related attractions with luxury accommodation,
transportation, and meals. The venture required some funding, which was met by personal savings.

The business was launched under an owner-manager business model, with Jimmy and his wife working full time in it. They started in 2008, just as the global financial crisis hit the developed economies. Despite the poor economic conditions affecting global travel, during the first two years of operation, the business delivered a profit, which was an encouraging result relative to Jimmy’s initial projections. Motivated by the initial performance outcomes of the venture, Jimmy expanded to Fiji and Australia, mainly as a result of the many enquiries from potential customers. However, shortly after, the global downturn started to impact on the demand for his adventure-packaged tours, which decreased consistently over the following two years to the point that the business was no longer viable. Jimmy decided to close down in 2012. Table Appendix 1.17 summarises Jimmy’s case.

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Source of income, independence, autonomy</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Personal activity, hobby</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, own knowledge, and expertise</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, marketing material, LinkedIn™ profile</td>
</tr>
</tbody>
</table>

18 Geoff: Sailing Adventures

Geoff runs a sailing adventure and whale watching business. Geoff started several marine and cruising businesses in New Zealand and Australia, but with different business models, including franchises and a joint venture. His previous success as a corporate manager helped in securing external funds, and he now manages all business as an investment portfolio. Table Appendix 1.18 provides a quick summary of Geoff’s case.
Table Appendix 1.18. Summary of Geoff Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Personal wealth, financial independence</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Serendipitous discovery, met ecological values</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, own knowledge, and expertise</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, responded to market input</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, entries in industry association, marketing material, LinkedIn™ profile, TripAdvisor™ comments, personal observations</td>
</tr>
</tbody>
</table>

19 Henare: Eco-tourism and Employment

Henare runs a range of eco-tourism initiatives, mainly as a platform for Maori employment. After four years of hard work, Henare continues looking for the next opportunity to expand the network of eco-tourism products. Currently, he sees the business and joint ventures he has set up as an “activity platform,” which has to be complemented with a “hospitality platform.” To that objective, Henare is working with an overseas partner on the development of a five-star hotel in Northland. In parallel, he is looking at a range of opportunities across New Zealand. Table Appendix 1.19 provides a quick summary of Henare’s case.

Table Appendix 1.19. Summary of Henare Case

<table>
<thead>
<tr>
<th>Key theme</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation to start business</td>
<td>Financial independence and employment for Northland Maori</td>
</tr>
<tr>
<td>Origin of opportunity</td>
<td>Cultural activity, heritage</td>
</tr>
<tr>
<td>Means to address opportunity</td>
<td>Own resources, own knowledge, and expertise</td>
</tr>
<tr>
<td>Final product or service</td>
<td>As initially envisaged, several lines of business as a result of market demand</td>
</tr>
<tr>
<td>Source of case data</td>
<td>Interviews, brochures, website, Google Analytics™, WayBack Machine™, entries in industry association, marketing material, LinkedIn™ profile, newsletters.</td>
</tr>
</tbody>
</table>
20 Concluding Remarks

This appendix has provided a snapshot of the entrepreneurs who participated in this study. Each summary presented a summary of the motivation to start the business, the origin of the opportunity, the means to address the opportunity, and the final product launched. A glimpse of the process of envisaging opportunities, whether created or found, was presented.
APPENDIX 2 – ETHICS APPROVAL, INFORMATION SHEET, CONSENT FORM
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