This dissertation focuses on strategic entrepreneurship in the small business context. It particularly examines how advantage-seeking and opportunity-seeking, the two dimensions of strategic entrepreneurship, may be combined in growth-oriented small businesses and in the business models of start-up companies. This dissertation brings an entrepreneur’s perspective and a longitudinal aspect into strategic entrepreneurship and presents how it can be executed in small businesses.
Strategic Entrepreneurship in Small Business Context
VILLE-VEIKKO PIISPANEN

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Publications of the University of Eastern Finland
Dissertations in Social Sciences and Business Studies
No 131

Itä-Suomen yliopisto
Yhteiskuntatieteiden ja kauppatieteiden tiedekunta
Kuopio
2016
Grano Oy
Kuopio, 2016
Editor-in-Chief: Prof. PhD Kimmo Katajala
Editor: MA Eija Fabritius
Sales: University of Eastern Finland Library

ISSN (nid): 1798-5749
ISSN-L: 1798-5749
ISSN (PDF): 1798-5757
ABSTRACT

This research focuses on strategic entrepreneurship in the small business context. Previous research on strategic entrepreneurship has focused on large companies and public sector organisations, providing fewer empirical results on small businesses. This study answers the question of how strategic entrepreneurship can be executed in small businesses and start-ups, particularly examining how advantage-seeking and opportunity-seeking, the two dimensions of strategic entrepreneurship, can be combined in growth-oriented small businesses and in start-up companies’ business models. The data for the qualitative study consists of personal interviews, documents and workshop materials. This study contributes to strategic entrepreneurship research in three ways. It brings the small business context, the entrepreneurs’ perspective and, to a certain extent, a longitudinal aspect into strategic entrepreneurship. The results indicate that even in financially difficult situations, small businesses devote attention to both advantage- and opportunity-seeking over time, although entrepreneurs emphasise opportunity-seeking while top management emphasises advantage-seeking activities. Small business entrepreneurs create different personal strategies, finding an acceptable balance and managing tensions. The strategies are shaped differently, depending on how the entrepreneur manages over time to maintain trust in the future of the company and in the company’s other actors. In the case of a start-up, the balance can be built on parallel business models in which advantage- and opportunity-seeking complement each other over time. Additionally, with scientific contributions, the results introduce the possibility of discussing how small business entrepreneurs can try to understand and execute strategic entrepreneurship sequentially in their business activities.

Keywords: strategic entrepreneurship, small business, balance, tension, trust, business model
Abstrakti


Asiakanat: strateginen yrittäjyys, pienyritys, balanssi, jännite, luottamus, liiketoimintamalli
In Australia, there is an old Aboriginal ritual called the Walkabout. It is a rite of passage for male Australian Aborigines where they have to survive in the wilderness for a long period of time in an effort to follow in their ancestors’ footsteps. During that journey, they have to gain responsibility, spiritual awakening and self-awareness as they wander in complete solitude in the space between nature and man. Therefore, the Walkabout is often called a spiritual journey where one must find a higher meaning and a connection between one’s own life and the surrounding world. In many fundamental ways, this research journey has felt like my very own Walkabout.

This journey would not have been possible without the help and support of many people, whom I would now like to thank. I express my greatest gratitude and appreciation to Professor Päivi Eriksson for her unwavering supervision. Your supervision has been demanding, encouraging and amazingly positive. Thank you Päivi, I have learned so much from you. I would also like to thank Professor Mervi Niskanen for her supervision and ceaseless support.

I thank Professor Vesa Puhakka and Research Director, PhD Pasi Malinen for accepting to act as preliminary examiners. Your pedantic comments helped in improving this research and opened the door for further interesting research possibilities in strategic entrepreneurship. I want to thank Professor Vesa Puhakka for acting as the official opponent of this dissertation.

I express my heartfelt gratitude to PhD Kaarlo Paloniemi for his efforts as co-writer and for all the long talks regarding what entrepreneurship and especially strategic entrepreneurship are really all about. Your extremely sharp intelligence, positive spirit and great sense of humour have been a joy to experience. I thank PhD Jaakko Simonen for all his support. It has been a pleasure to get to know you. I would like to thank PhD Tero Montonen and M.Sc. Jukka Niskanen for co-authoring and especially for their encouragement.

I wish to thank everyone from the Innovation Management research group. It has been motivating to be a part of this innovative group of personalities. I thank everyone at the Business School of the University of Eastern Finland for the support I have received. I especially thank Professor Hanna Lehtimäki for her continuous positive spirit and encouragement.

I want to thank the two entrepreneurs who gave extremely valuable interviews and shared openly their thoughts and experiences in their business endeavours. I thank all AKU2 and GTI project partners.
This dissertation would not have been possible without the financial support from the Foundation for Economic Education (Liikesivistysrahasto), Finnish Cultural Foundation, North Savo Regional fund (Suomen Kulttuurisäätiön Pohjois-Savon rahasto), Foundation for Sole Traders (Yksityisyrittäjäin Säätiö) and Foundation for Advanced Technology of Eastern Finland (Itä-Suomen Teknologi-asäätiö). I express my profound gratitude for the financial support received.

Finally, I am indebted to my mother and father, Marjatta and Veijo Piispanen, for everything. I would like to thank my younger brother, Marko, and my elder brother, Mika, and his beautiful family, Hanna, my godson Peetu, Seela and Elsa. It is a priviledge to see your wonderful children grow up and I have enjoyed every second with you. I thank Aila, Veikko and my goddaughter Karolina for all the great times together. My sincere thanks go to my dear friends Sami Kauhanen and M.Sc. Jani Kauhanen for their everlasting friendship and all the great memorable years together in life and in sports. I thank Henri Koistinen for his friendship. Also, I would like to thank Judit, Ari and Tommi Hytönen for their encouragement and for being the a part of my life. I thank Zsuzsa Sándor for her interest in my research and for her support.

My deepest gratitude goes to my beloved wife Ildikó. When we met for the first time on the 14th of September 2012, we both knew it was the beginning of a shared journey. This project would not have been possible without your daily love, support and continuous belief. I am forever grateful to you.

This dissertation is dedicated in the loving memory of my sister Anne.

Kuopio, 7.10.2016

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1 Introduction

1.1 CONTEXT AND OBJECTIVES

“Historically, small companies and start-up ventures have been relatively skilled in identifying entrepreneurial opportunities but less effective at developing and sustaining the competitive advantages needed to exploit those opportunities over time. In contrast, more established organizations have demonstrated relatively superior skills in terms of developing and sustaining competitive advantages but have been less effective in recognizing entrepreneurial opportunities that can be exploited with their resources and resulting capabilities” (Ireland, Hitt, & Sirmon, 2003, p. 966).

The focus of this study is strategic entrepreneurship (SE), the core idea of which is to bring together two different types of activity in organisations: the sustaining of competitive advantage (advantage-seeking activity, AS) and the identification of entrepreneurial opportunities (opportunity-seeking activity, OS) (Hitt, Ireland, Sirmon, & Trahms, 2011; Ireland et al., 2003; Ireland & Webb, 2007, 2009). AS refers to activities where the existing competitive advantages are exploited in a less uncertain manner, and OS means that activities are targeted in a more uncertain manner to explore future opportunities to secure competitive advantages (Ireland & Webb, 2009).

As the quotation above describes, large and small businesses experience different types of challenges when implementing SE. Much prior research on SE has focused on large businesses (Ireland & Webb, 2007). Thus, we know relatively little about how SE is implemented by small businesses or how small business entrepreneurs combine AS and OS activities. Small businesses tend to be more entrepreneurial than larger businesses (Hitt et al., 2011), which is why they have different challenges in the implementation of SE compared to larger companies. Overall, the entrepreneurs’ perspective has not gained much scholarly attention in SE research (Hitt et al., 2011; Schindehutte & Morris, 2009). The SE research has been theoretical rather than empirical and has primarily adopted cross-sectional research designs. Therefore, hardly any empirical research has focused on how implementation of SE in small businesses might evolve over time. These are the gaps in SE research that this study aims to address.
A key argument of SE is that both AS and OS activities are needed in organisations; therefore, the core question that follows is how they can be combined in a way which creates some kind of balance between them (Ketchen, Ireland, & Snow, 2007). Finding a balance between AS and OS activities is not a one-time effort but a continuous process (Hitt et al., 2011). SE could have a positive influence on the entrepreneurial mindset, strategic resource management, innovation and the execution of competitive advantages (Ireland et al., 2003; Kyrgidou & Petridou, 2011). All of these suggest that the small business context is an important area of study within SE. As a theoretical perspective, SE offers a new view within which to study small businesses and their dynamics.

The small business context is relevant to SE research for the following reasons. First, small businesses have limited operational, structural and cultural attributes and resources (Ireland & Webb, 2009); therefore, their ability to manage SE could be limited. Nevertheless, small businesses are more entrepreneurial and thus could have abilities to overcome such limitations. Although small businesses have limited access to resources and limited organisational readiness for AS and OS activities, which can lead to trade-offs and tensions, they may also have the necessary agility to overcome or adapt to these difficulties (Kraus, Kauranen, & Hennig Reschke, 2011). Second, the combination and balance of AS and OS activities is extensive, time-consuming and resource-intensive by nature. Therefore, entrepreneurs could facilitate these difficulties with a continuous process where AS and OS activities are implemented over time in order to achieve the balance for value creation and new business opportunities (Hitt et al., 2011; Ireland & Webb, 2009). Third, implementing SE can be challenging (Ireland & Webb, 2007; Kyrgidou & Hughes, 2010); yet there is a limited amount of empirical research on how small businesses and their entrepreneurs implement SE and how they deal with the challenges. Further, there is less evidence of how organisations simultaneously concentrate resources on AS and OS activities (O’Reilly & Tushman, 2013).

According to Ireland et al. (2003, p. 983), “firms that identify potentially valuable opportunities but are unable to exploit them to develop a competitive advantage will not create value for their customers or wealth for their owners. Firms that build competitive advantages but lose their ability to identify valuable entrepreneurial opportunities are unlikely to sustain those advantages over time.”

This quote refers to how small businesses and their entrepreneurs manage AS and OS activities. In my study, I investigate entrepreneurs who are engaged in a growth-oriented business development process. My aim is to generate an empirically grounded understanding of how they engage in AS and OS, how they try
to combine and balance AS and OS and what are the consequences of these activities. In my study, I utilise the SE perspective (Hitt, Ireland, Camp, & Sexton, 2001; Hitt et al., 2011; Ireland et al., 2003; Ireland & Webb, 2007, 2009) as a conceptual framework to understand the dynamics of AS and OS from the perspective of the entrepreneur in particular (Achtenhagen, Naldi, & Melin, 2010).

The overall research question for my study is:

How is SE implemented in the small business context?

The SE perspective assumes that combining and balancing AS and OS activities is essential for growth-oriented companies. Balancing means that resources are allocated between AS and OS activities in a manner in which existing competitive advantages are exploited and new business opportunities are simultaneously explored (Ireland & Webb, 2009). However, like Ireland and Webb (2007, 2009), I also argue that specific situations of different companies require different types of balances. In some situations, the balance may require more emphasis on OS activities, and in other situations, it requires more emphasis on AS activities. Therefore, the optimal allocation of resources for AS and OS activities depends on the current situation of the business at any point in time. Thus, the first sub-question of my study is the following.

1. How do entrepreneurs balance AS and OS activities over time?

SE has traditional roots in a resource-based view (RBV) (Ireland et al., 2003), and therefore, the strategic aspect is somewhat overemphasised; consequently, the definition of entrepreneurship in SE tends to neglect the role of the entrepreneur in creating new opportunities for the company. Advancing the understanding of entrepreneurial activities in SE by introducing three alternative theoretical perspectives — critical realism (Fleetwood, 2005; Kitching & Rouse, 2014), nominalism (Korsgaard & Neergaard, 2010) and structuration (Sarason, Dean, & Dillard, 2006) — could in turn enhance the knowledge of OS activities in small businesses. The core value of these alternative perspectives is that they offer possibilities to move from a mere description of the entrepreneurial process towards a more explicit theoretical knowledge; that is, they may extend our knowledge beyond the two extreme perspectives in the dominant literature on the entrepreneurial process — opportunity discovery and opportunity creation (e.g. Alvarez & Barney, 2007). I will build the case of a growth-oriented business developing by focusing
more specifically on entrepreneurs’ activities in internal business development in order to understand the role of entrepreneurial activities in the process. For that purpose, the focus is on entrepreneurs’ activities related to OS in particular. Therefore, my second sub-question is the following.

2. How do entrepreneurs implement OS activities?

Combining AS and OS activities is not easy, and efforts to do so can lead to tensions within an organisation. While these tensions have been acknowledged in the theoretical literature on SE (Ireland & Webb, 2007), previous empirical research on SE has not explicitly focused on them. This is why tensions caused by the efforts to combine AS and OS have neither been studied in the small business context nor from the entrepreneurs’ perspective nor over time. Thus, I will explore tensions that entrepreneurs face when trying to combine and balance AS and OS and how they deal with these over time. Thus, my third sub-question is the following.

3. How do entrepreneurs deal with tensions related to AS and OS over time?

March (1991, p. 71) wrote that “both exploration and exploitation are essential for organizations, but they compete for scarce resources”, though most companies tend to concentrate only on either exploration or exploitation (March, 1991), even though concentrating on both would enhance the business results (Gibson & Birkinshaw, 2004). Because a balance between AS and OS can take time and be resource-intensive and risky, it is difficult to achieve. The business should therefore implement a plan and thus reduce the uncertainties by means of an iterative and dynamic schedule to gain existing advantages and future opportunities (Ireland & Webb, 2009). The balance of AS and OS activities can be managed in such a way that new ways to serve customers, new processes and new organisations or perhaps new business models could enhance value creation (Ireland & Webb, 2007, 2009). Recent research in SE (Demit, Lecocq, Ricart, & Zott, 2015; Osievsky & Dewald, 2015) suggests that the researching of business models could benefit from SE, and therefore, SE could be one mechanism in the business model development process. Thus, my fourth sub-question is the following.

4. How can SE be used to inform business model development?
Each of the four sub-questions of my study will be addressed in a separate sub-study. Through these four sub-studies, I will be able to provide answers to the main question of the study at the end of this introductory essay.

1.2 RESEARCH APPROACH AND PHILOSOPHICAL VIEW

This research focuses on SE in the small business context. The main aim is to emphasise the role of small business entrepreneurs as key actors in SE processes. In this study, this means looking at SE processes through entrepreneurs’ eyes and perspectives: how entrepreneurs act on AS and OS and how entrepreneurs experience and interpret the process of SE in their specific companies and business situations. In addition, I am interested in a new conceptual area of SE, that is, its relationship to business models, which has a strong link to OS in particular.

This research is based on qualitative data for which qualitative content analysis was used. The first, second and third sub-studies are case studies (Eriksson & Kovalainen, 2015; Yin, 2014) utilising longitudinal data and comparing two company cases. The fourth sub-study draws from the constructive and action research strategy (Eriksson & Kovalainen, 2015) in which a managerial problem is solved through a business models design.

As a researcher, it is essential to root oneself in the philosophical paradigms. Burrell and Morgan (1979) have a model of four sociological paradigms for organisational analysis: functional, interpretative, radical humanist and radical structuralist paradigms. An explanation is given below of what critical realism is and how it fits into this study as well as my philosophical view and how my position in the four paradigms is an objectivist approach located in realism (Burrell & Morgan, 1979).

This study is based on the philosophical view of critical realism (Archer, 1998; Fleetwood, 2005; Sayer, 2000), whose underlying assumptions are that reality simultaneously exists independently and that the actor (the entrepreneur) has the possibility of changing that reality. According to Fleetwood (2005, p. 197), this includes “[t]he way we think the world (ontology) influences: what we think can be known about it (epistemology); how we think it can be investigated (methodology and research techniques); the kind of theories we think can be constructed about it; and the political and policy stances we are prepared to take.”

Critical realism offers the perception that entities can be real if they have “causal efficacy” (Fleetwood, 2005, p. 199). Four different modes of reality can be identified: material, ideal, artefactual and social. For my study, “materially real”
means that, for example, raw materials such as trees, rocks or raw oil exist as materials for a possible entrepreneurial process no matter what other observers, such as entrepreneurs, believe about their existence. Nevertheless, they are not opportunities ready to be discovered and exploited; rather, the opportunities need to be created. For an extreme example of something materially real, the Antarctica is real whether one has seen it with one’s own eyes or not, and as Fleetwood (2005, p. 200) states, “real if it has causal efficacy, has an effect on behaviour, makes a difference.” The idea of “ideally real”, on the other hand, means that, for instance, an entrepreneur’s growth-orientation is real when they say they have the motivation for growth and when the discourses I have had with them are real. “Artefactually real” means that when an entrepreneur buys a new machine to speed up a process, it is meant for that purpose and not for another. That is, the aim is not to use it as a paperweight. “Socially real” means that, for instance, the two entrepreneurs interviewed for this study are part of business markets where transactions between other socially real entities happen.

Social science scholars are familiar with alternative theoretical perspectives. Lindgren and Packendorff (2009, p. 40) argue that entrepreneurship scholars have hampered further development of the field by adopting merely “some taken-for-granted assumptions” instead of either establishing a more thorough ontological and epistemological base (Busenitz et al., 2003) or focusing on a broader set of theoretical perspectives in their research. For instance, if we look at opportunities as entities either independent of individual activities or as dependent on individual activities (discovery theory vs. creation theory, respectively, in Alvarez & Barney, 2007), the critical realists’ claim is in line with Easton (2010, p. 122), who states that “critical realists construe rather that construct the world”. For this study, this means that rather than thinking like (extremist) social constructivists that the real world is the creation of human brains, critical realists accept that “there is a real world out there” (Easton 2010, p. 119). While critical realists accept existing reality, a critical realist perspective on opportunity raises questions concerning the role of “what exists in reality” in the entrepreneurial process in general and for opportunity in particular.

Although, I do acknowledge that this research has robust underpinnings in realism, nevertheless I do understand a business opportunity as something to be created not discovered. Further, OS activities are endogenous and the entrepreneur acts to create opportunities (Alvarez & Barney, 2007). Therefore, I acknowledge critical realism as a vehicle to examine and interpret those possible opportunities more precisely. Thus, the understanding of business opportunity (see Busenitz et al., 2014; Davidsson, 2015, 2016; Short et al., 2010) and the relation
to either realism or critical realism and how it should be essentially approached and conceptualize is something entrepreneurship research is debating at the moment (see Kitching & Rouse, 2016; Martin & Wilson, 2016; Ramoglou, 2013; Ramoglou & Tsang, 2016).

1.3 MY POSITION

This research started when I worked in a two-year (2011–2012) business development project called Growth through Innovation (GTI) for small- and medium-sized enterprises (SMEs). It was a joint project with the University of Eastern Finland, the University of Oulu, the Savonia University of Applied Sciences and the Savo Consortium for Education funded by the European Social Fund. The GTI project had a vision of enhancing possibilities for growth-oriented SMEs and their entrepreneurs. The main idea of the GTI project was to find innovative and growth-oriented SMEs and to provide assistance in developing their businesses in two ways: to improve the efficiency of the business and to help them find new business opportunities.

My position in the GTI project was to do research with the main responsibility to collect data on the companies participating in the project and to co-author research papers. Although I had a halfway position between research and development responsibilities, I also did analyses of the growth predictions of the participating companies for the next 3–5 years and asked questions about their innovation strategy, organisation and culture, innovation life cycle processes, management, product/service/processes and organisational and business model development and financial issues. This position gave me considerable access to the problematics of the small businesses involved.

During the GTI project, the idea of using SE as a framework for research and to focus on AS and OS activities and their balance started to take form. I had read of the SE framework before but began to realise that SE would be highly relevant for analysing the data I had collected from the project. My increased understanding of and experiences with the entrepreneurs involved with the GTI project led me to choose SE for the main theoretical perspective of my study. Also, the more I read of SE, the more I realised that the prior literature lacked the entrepreneurs’ perspective; most of the research discussion on SE operated at the company level only (Ireland & Webb, 2009; Luke, Kearins, & Verreynne, 2011). While Ireland and Webb (2007) suggest that entrepreneurs can balance AS and OS activities, there is
a lack of empirical research concerning how they actually do it, especially in the small business context and over time.

I also had an opportunity to work in a two-and-a-half-year (2013–2015) Acoustic Integrated Systems (AKU2) project funded by The Finnish Funding Agency for Innovation (TEKES). This was a joint project with the Environmental Informatics Department and the Business School of the University of Eastern Finland, Tampere University of Technology and VTT Technical Research Centre of Finland Ltd. The main aim of this project was to commercialise novel noise monitoring technology and to establish a university start-up after the project had ended.

My position in the AKU2 project was to be part of the commercialisation team, which designed the business models for a start-up in mind. On this project, I also had an insider’s view of what was actually happening in the business model design process, and this position gave me a valuable understanding of the business model development process. The idea of using SE to analyse the business models constructed by the commercialisation team grew out of my other sub-studies.

1.4 KEY CONTRIBUTIONS

This study contributes to SE research in three ways. It brings the small business context, the entrepreneurs’ perspective and, to a certain extent, a longitudinal aspect to SE. My study shows how the core ideas of SE can inform both established businesses and start-ups.

The key contributions to the small business context are the following. First, my findings show that established small businesses do engage in both AS and OS activities at the same time. More specifically, in financially difficult times which dominated during my study period, at the macroeconomic and business level, the management emphasises AS activities more than OS activities, but OS activities are kept alive by entrepreneurs. Second, an acceptable balance of AS and OS activities can vary considerably between small businesses. This study shows that the balance can be different even when the small businesses are in the same macroeconomic situation. Third, the SE perspective can be used as a key mechanism for start-ups for designing and building parallel business models that follow each other in time.

The key contributions to the entrepreneur’s perspective are the following. First, entrepreneurs try to keep the emphasis on OS activities alive during financially difficult times when only AS activities are emphasised by the top management. Second, entrepreneurs struggle with finding an acceptable balance between AS
and OS, but they also develop personal strategies for doing so. These personal strategies focus on how to deal with tensions caused by the challenges of combining and balancing AS and OS. My study shows that even in a similar situation, the personal strategies of the entrepreneurs can vary. On the basis of my results, it seems that what makes a difference is how the entrepreneurs construct trust or distrust towards the top management and the owners of their companies.

The theoretical contribution of this study is that it demonstrates that even in financially difficult situations, small companies devote attention to both AS and OS over time. While AS is implemented by the top management and owners in financially difficult times, entrepreneurs still make continuous efforts to keep OS alive. The entrepreneurs experience various tensions between AS and OS in their companies and develop their own strategies to deal with this ongoing situation.

The practical contribution of my study to small businesses and their managers and entrepreneurs is the knowledge of the possibilities of SE, even though AS and OS are not easily combined and balanced without considerable tensions which are difficult to manage. My results emphasise that in small businesses, AS and OS might be best implemented sequentially, alternating their emphasis over time, or they might be structured by separating them in different organisational units (e.g. through starting a new company focusing on OS when the established company is emphasising AS).

1.5 STRUCTURE OF THE INTRODUCTORY ESSAY

The remainder of the introductory essay, Part I, is organised in five chapters as follows. In the second chapter, I will go through the foundations of SE. Following this, I will discuss the core perspectives in SE, both the strategic management and competitive advantage, and additionally, entrepreneurship and business opportunity. Next, I discuss the AS and OS balance and how that can be constructed and what is the meaning of balance for this study. Following this, I will discuss the novel directions for SE and thus write of tensions, trust, distrust and business models. In the third chapter, I will discuss the overall study design, how I collected the empirical data and how I have conducted the data analysis. In chapter four, I present the results and detailed contributions of the four articles. Finally, in chapter five, I provide a discussion of theoretical and practical implications and the conclusions, and I present avenues for further study and ways forward. Part II of this study consists of four articles.
2 Strategic entrepreneurship perspective

2.1 FOUNDATIONS OF STRATEGIC ENTREPRENEURSHIP

Referring to a number of researchers, Ireland et al. (2003, p. 963) argue that “entrepreneurship and strategic management are concerned with growth and wealth creation” and, furthermore, that growth and wealth creation are interrelated. Emphasising the relevance of the relationship between wealth creation and growth for new business ventures in particular, they continue that “our work assumes the importance of firm growth while examining wealth creation as an outcome of the effective use of entrepreneurship and strategic management” (p. 964).

Hitt et al. (2001) and Ireland et al. (2003) integrate the two entities, that is, entrepreneurship and strategic management, into a unique single entity they call SE. According to their seminal definition, SE is highly concerned with AS and OS activities as well as competitive advantage and value creation. This is in line with Venkataraman and Sarasvathy (2001, p. 651), who state that entrepreneurship and strategy are “two sides of the same coin and that they are conceptually linked together.” The integration of entrepreneurship and strategic management can be traced back to Schendel and Hofer (1979, p. 6), who foresightedly wrote, “[t]he entrepreneurial choice is at the heart of the concept of strategy.” In addition, as Hitt et al. (2011, p. 57) argue, “SE is concerned with advantage-seeking [AS] and opportunity-seeking [OS] behaviors resulting in value for individuals, organizations, and/or society.” In this study, I define strategic management and entrepreneurship in accordance with Hitt et al. (2011, p. 70), who state that “the intent of strategic management is to develop and successfully exploit competitive advantages” and that “[e]ntrepreneurship is concerned with recognizing opportunities that when effectively exploited through the firm’s competitive advantages lead to enhanced value and wealth.” In addition, Kyrgidou and Hughes (2010, p. 45) describe the nature of SE in similar terms by defining it “as a process that facilitates firm efforts to identify opportunities with the highest potential to lead to value creation, through the entrepreneurial component and then to exploit
them through measured strategic activities, based on their resource base.” However, according to Ireland et al. (2003), if a company desires to create wealth for customers as well as for itself, it is insufficient to create opportunities but fail to exploit them profitably and sustainably.

### 2.1.1 Background and purpose of strategic entrepreneurship

Schumpeter published his most influential work, *The theory of economic development*, in German in 1911, but it was eventually published in English in 1934 (Schumpeter, 1934). The book’s main idea is that the economy is in continuous dynamic change, in a disjunctive and destructive state. Another important factor in Schumpeter’s thought is that the entrepreneur is the key figure of economic development, and the entrepreneur is the one whose innovations disrupt the equilibrium and force the economy into creative destruction. Since the nineteenth century, economic growth has provided us with remarkable income and standards of living (Barro & Sala-i-Martin, 2004; Maddison, 2006, 2007). Policymakers who believe that entrepreneurship is the main key to economic growth consider entrepreneurship as a vehicle for something everyone highly appreciates: higher employment, the development of the economy, increased tax collection and an innovative profile for one’s city and region and even for the country as a whole (see McKelvie & Wiklund, 2010). For instance, in Finland, the majority of new jobs and growth are created in SMEs, which accounted for 99.8% of all Finnish companies in 2013 (Entrepreneurship Statistics, 2013). This is why small business growth, either through SE or any other mechanism, is important for the Finnish economy and society.

A well-researched matter is that most new companies start out small and very often remain small during their whole lifespan. In fact, most of them even perish or discontinue as small companies (Aldrich, 1999; Gimeno, Folta, Cooper, & Woo, 1997; Storey, 1994). Explanations for this are that the majority of business startups are imitations of already existing businesses in matured industries, and they are located in the local markets (Aldrich, 1999), and as such, these companies do not have much growth potential (Davidsson, Achtenhagen, & Naldi, 2010). Further, many companies and entrepreneurs are not at all interested in business growth (Storey, 1994; Wiklund, Davidsson, & Delmar, 2003). Considering all of this, in the public discourse, all businesses, but especially SMEs, face the demand for growth and job creation. They are expected by various actors to grow and contribute to society. Therefore, engaging in SE (Hitt et al., 2011; Ireland & Webb, 2007; Kyrgidou & Hughes, 2010) could be a possible answer to encouraging small business entrepreneurs to innovate, grow and internationalise by understanding
not only quantitative changes in business but also the qualitative changes which result when entrepreneurs engage in AS and OS activities.

As an early conceptualisation, Ireland, Hitt, Camp and Sexton (2001) identify six central domains of SE. The first is innovation, meaning that creating and implementing ideas by using effective resources should help organisations to grow and create value. Second, both formal and informal networks are important factors for providing access to resources and thus could have an effect on pursuing new business opportunities. Third, internationalisation means adapting quickly to market changes and emerging opportunities and thus expanding business operations by implementing entry modes such as exporting, licensing, acquisition or strategic alliances. Fourth, organisational learning transfers knowledge and develops resources. This means that organisations commit to learning, and the results, information and new capabilities are shared among other actors. Fifth, growth which stimulates success and change means that through market inefficiencies, innovativeness and growth-oriented activities, growth is possible to achieve. This also requires both organisational readiness for and the exploitation of new business opportunities. Sixth, top management teams and governance ensure the effective selection and implementation of strategies. The same strategic goal should be implemented by all actors, though they should remain flexible enough for changes. All six domains together form strategic and entrepreneurial activities for value and wealth creation. These domains are based on the theoretical contributions of economics, international business, organisation theory, sociology and strategic management (Ireland et al., 2001).

From Ireland et al. (2001), Hitt et al. (2001) revised the domains to include external networks and alliances, resources and organisational learning, innovation and internationalisation. Ireland et al. (2003) furthered the conceptual development of SE to better capture the understanding of value creation to include four dimensions of SE. The first is an entrepreneurial mindset, meaning that identification and development of new business opportunities are the key activities. Second, entrepreneurial culture and leadership involve the simultaneous commitment to both AS and OS activities, and management should nourish an entrepreneurial environment in the organisation. Third, managing resources strategically connects to new business opportunities and the resource bundles and structures needed for their exploitation. Fourth, applying creativity to develop innovations helps organisations to explore and exploit innovations and entrepreneurial opportunities with the effective use of SE.
Further ideas for developing SE have been proposed, for example, Schindehutte and Morris’s (2009) view of complexity science and the form, flow and function paradigm of SE, with the idea of dynamic organisational, structural, social and economic change. Kyrgidou and Hughes (2010) share their vision of a more practical model of SE, where explorative learning and exploitative learning form a feedback loop for an entrepreneurial mindset, culture and leadership, and also for strategic resource management, creativity and innovation, which further develop competitive advantages. Kraus et al. (2011) utilise a developmental configuration approach to identify domains for SE. They propose six domains for a conceptual model including resources, capabilities, strategy, the entrepreneur, the environment and the organisational structure. These various developments in SE have remained marginal, however, since the domains circle around the same theoretical concepts, and empirical testing of these models has been quite limited (Luke et al., 2011). Since the early developments of SE, much of the discussion of the current form of SE is concentrated on the balance of AS and OS (Ireland & Webb, 2007, 2009), and such discussion proposes that the simultaneous exploitation of existing competitive advantages (AS activities) and the exploration of future opportunities and competitive advantages (OS activities) capture the essence of SE.

2.1.2 Strategic management and competitive advantage

“Dynamic in nature, the strategic management process is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns. Relevant strategic inputs derived from analyses of the internal and external environments are necessary for effective strategy formulation and implementation” (Kuratko & Audretsch, 2009, p. 2).

In strategic management, strategy has traditionally been defined as something which organisations have, and the emphasis is on long-term success and development (Ireland & Webb, 2007). Strategy can also be seen as what people do in the organisations (Jarzabkowski, 2004), and strategies have been implemented in different levels of organisations. Organisations utilise a diversification of strategies such as joint-venture strategies, strategic planning processes, decision processes and change processes (Johnson, Langley, Melin, & Whittington, 2007).

Strategic management in SE is about sustainable competitive advantage and, thus, managing resources effectively to create value (Ireland et al., 2003; Ireland & Webb, 2007; Hitt et al., 2011). Kyrgidou and Hughes (2010, p. 45) elaborate with respect to strategy that it “provides the context within which firms can exploit identified opportunities, that is, through their current strategic platform and
through structured, well-planned actions, thereby aiding firms to specialize and gain competitive advantage”. Whereas the processual approach to one scientific entity, entrepreneurship, as an emerging research stream is about opportunity creation, strategic management as another scientific entity focuses more on developing competitive advantages (Ireland et al., 2003), strategic positioning (Porter, 1980), the RBV (Barney, 1991) and strategic planning and thinking (Kuratko & Audretsch, 2009), all views which are concerned with competitive advantage and profitability as the keystones of company performance (Steffens, Davidsson, & Fitzsimmons, 2009).

Competitive advantage itself is the end process where the long-term value difference in the products, the services or the markets is higher than that of competitors (Duncan, Ginter, & Swayne, 1998). Although organisations are facing uncertainties in the high competitive markets, the existing resources and thus, the competitive advantages, could enhance the focus of future business opportunity exploitation (Ireland & Webb, 2009). As Steffens, Davidsson and Fitzsimmons (2009, p. 128) highlight, “[s]trategic entrepreneurship, which makes sustained high growth and profitability possible, requires both discovery and exploitation ability.” From strategic management, it is essential to recognise competitive advantage and value creation, and from entrepreneurship, opportunity creation and its exploitation.

2.1.3 Entrepreneurship and business opportunity

According to Sharma and Chrisman (1999, p. 17), “[e]ntrepreneurship encompasses acts of organizational creation, renewal, or innovation that occur within or outside an existing organization. Entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new organizations, or instigate renewal or innovation within an existing organization. (p. 17; definitions created by the propositions of Gartner, 1989; Schumpeter, 1934; Stopford & Baden-Fuller, 1994; Zahra, 1993, 1995, 1996)

Further, Kuratko and Audretsch (2009) explain the integrated definition of entrepreneurship as a process of vision, change and creation of ideas and solutions with a calculated risk, entrepreneurial team, sufficient resources, a valid business plan and a business opportunity.

Today, entrepreneurship is considered to be the main driving force of economic development and growth (Acs & Audretsch, 2010). Acs and Audretsch (2010, p. 2) also offer a definition of entrepreneurship according to the current literature of entrepreneurship research: “Our definition of entrepreneurship em-
braces all business that are new and dynamic, regardless of size or line of business, while excluding businesses that are neither new nor dynamic, as well as, all non-business organizations. The core topics of this inclusive view of entrepreneurship are the entrepreneurial process, the nature of entrepreneurial opportunity and the process of its exploitation, the emergence of new ventures, as well as the interaction between entrepreneurship and organizations."

Entrepreneurship is a multidimensional and fragmented research area, and for that reason, no widely accepted consistent and solid theoretical approach, for example, for growth research, has emerged (Davidsson, Achtenhagen, & Naldi, 2010; Shepherd & Wiklund, 2009; Wiklund et al., 2003). Thus, the situation in the field is ambivalent. On the one hand, this is a significant disadvantage when attempting to theoretically ground a study on any already empirically tested approaches. But on the other hand, there is an opportunity to research entrepreneurship, business development and opportunities by integrating various aspects of the existing approaches. Second, the literature on process-oriented entrepreneurship typically divides the entrepreneurial process into two parts; scholars refer to one part as recognition, discovery or creation of business opportunity (Sarasvathy, Venkataraman, Dew, & Velamuri, 2003), and opportunity exploitation is cited as the second part (Shane & Venkataraman, 2000). Far too often, researchers tend to understand these two processes in linear terms. That is, the process starts with the recognition, discovery or creation of business opportunity and continues in the company as exploitation practices (Bhave, 1994). However, Davidsson (2006), for example, has challenged this one-way linear thinking, arguing that the process, in fact, may both proceed in the opposite direction and be simultaneous.

Opportunities are an essential part of the entrepreneurial process, which itself includes business opportunity creation and business opportunity exploitation (Paloniemi, 2010). Opportunity discovery assumes that opportunities exist independently without the entrepreneur (Shane, 2003), while opportunity creation assumes that opportunities are created by the human mind, by the entrepreneur and his or her activities (Gartner, 1985; Sarasvathy, 2001). Therefore, opportunities can be created or discovered; these are the two profound theories of how the entrepreneur eventually achieves the possibility of exploiting the opportunity (Alvarez & Barney, 2007). Alvarez and Barney (2007) describe discovery theory as “mountain climbing”, since the mountain exists, and everyone can see it. Then they describe creation theory as “mountain building”, but the mountain does not exist, and it needs to be built before it can be exploited or “climbed”.


Sarasvathy, Dew, Velamuri and Venkataraman (2010, p. 79) state that an entrepreneurial opportunity is constituted from the following: 1. New idea/s or invention/s that may or may not lead to the achievement of one or more economic ends that become possible through those ideas or inventions; 2. Beliefs about things favourable to the achievement of those possible valuable ends; and, 3. Actions that generate and implement those ends through specific (imagined) new economic artefacts (the artefacts may be goods such as products and services, and/or entities such as firms and markets, and/or institutions such as standards and norms).

Ardichvili, Cardozo and Ray (2003, p. 118) conclude in their analysis of opportunity identification and development that the “[c]reation of a successful business results from a successful opportunity development process, which includes recognition of an opportunity, its evaluation, and development per se.” An entrepreneur needs to have certain personal traits, social networks and prior knowledge, and this leads to higher entrepreneurial alertness. After this, an entrepreneur identifies the opportunity (perception, discovery and creation process) and either develops or aborts it. Finally, venture formation would be the ultimate goal for a successful opportunity identification.

The entrepreneurial process refers to the generation of outcomes such as wealth (Davidsson, 2003), value (Lee & Venkataraman, 2006), goods and services (Kitching & Rouse, 2014), new means-ends relationships (Shane & Venkataraman, 2000), new business ventures (Bhave, 1994) or new markets (Sarasvathy, 2001). Other constructions such as causation and effectuation (Sarasvathy, 2001) and imprinting and reflexive perspective on opportunity (Suddaby, Bruton, & Si, 2015) focus on the entrepreneur’s activities in creating opportunities. Entrepreneurship literature makes a distinction between discovery and creation theories, because they “differ in their analysis of the origin of these [e.g. entrepreneurs’ goals] competitive imperfections” (Alvarez & Barney, 2007, p. 127). Thus, opportunities in discovery theory exist independently, and people (entrepreneurs) are able to “pick them up” like mushrooms in the forest (Davidsson, 2009), while in creation theory, entrepreneurs create the opportunities (Ardichvili et al., 2003). Although there is a vast amount of research and there are many contradictory views of what opportunity is and what it represents in entrepreneurship literature overall (Sarasvathy, 2001; Shane & Venkataraman, 2000; Shane, 2003; Short, Ketchen, Shook, & Ireland, 2010), and although the conceptualisation has been limited (Davidsson, 2015), in this study, I understand business opportunity not to exist already exogenously, but I understand it as an endogenous end product of an iterative entrepreneurial process under conditions of uncertainty (see Alvarez & Barney, 2007;
2.1.4 Seeking for balance

“Effective analyses of external and internal environments are the foundation for discovering an ideal exploration/exploitation balance. The external environment analysis should identify current as well as emerging trends in the technological, sociocultural, economic, political/legal, demographic, and global arenas in which the firm competes. The internal environment analysis should examine the firm’s strengths and weaknesses to discern how external changes may lead to opportunities or threats. If the potential weaknesses and threats outweigh the strengths and opportunities, a firm likely needs to enhance its exploratory actions” (Ireland & Webb, 2007, p. 58).

Neither the entrepreneurial process itself nor strategic management are sufficient enough in business development to achieve growth. The complexity of the process can be enhanced by SE and by the balance of AS and OS activities. Therefore, the balance of AS and OS activities in the business development process is one efficient way for entrepreneurs and managers to create value. Research on SE starts from the assumption that the strategic management and entrepreneurship research fields frame a common construct (Ireland et al., 2003). In this construct, AS and OS activities form the balanced core of SE (Hitt et al., 2011). In fact, OS refers to problematising the existing assumptions, which is in line with the definition of entrepreneurial opportunity (Shane & Venkataraman, 2000). AS, instead, relates to activities that are intended to improve the already existing ways of acting (see Ireland & Webb, 2007). Prior research has investigated these activities as entrepreneurs’ attempts to generate value (see Hitt et al., 2001; Hitt et al., 2011) in various contexts, for example, in family business (see Lumpkin, Steier, & Wright, 2011).

To create new (or different) value through development is fundamental to the balance between AS and OS activities to gain the best future results for the existing business or start-up. However, seeking a 50/50 balance between AS and OS activities is disadvantageous (see Ireland & Webb, 2007) because of both market-based and company-based factors (Ireland & Webb, 2009), which affect the appropriate balance. Yet in business development, SE is about simultaneously focusing on both kinds of activities in order to create the desired value for customers, for society and for the business itself as well (see Steffens et al., 2009).
According to Ireland et al. (2003), if a company wants to create value for its customers as well as for itself, it is operating insufficiently if it creates opportunities but fails to profitably and sustainably exploit them. Regarding previous research, both entrepreneurial activities and strategic activities are at the core of a company’s profitability and continuous development. However, what previous research has not been able to show clearly is how to successfully balance these two types of activities. In the development process, entrepreneurs act with the means and capabilities they have to achieve both entrepreneurial and strategic activities. If they manage to conduct their balanced activities in a way that is a good fit for the company’s situation, they will sufficiently benefit from those activities and will gain a competitive advantage. Thus, the priority in the business development of growth and profitability is that an entrepreneur needs to actively and consciously contemplate how to balance those activities.

So what actually is the balance? We need to understand this balance as a primary factor in system survival and prosperity (March, 1991); we also need to understand how this balance utilises a company’s scarce resources and competences. In order to define balance, I follow Ireland and Webb (2007, p. 49) by emphasising the activities “through which firms simultaneously exploit their current competitive advantages while exploring for future opportunities.” This does not mean that the balance consists of merely allocating resources evenly between the AS and OS activities in the current and future development of the company (see Ireland & Webb, 2007). The balance between AS and OS can also be seen as the generation of a variety of value forms (not only as profit), as Hitt et al. (2001) called them.

Volery, Mueller and von Siemens (2015, p. 16) found in their observatory research that there could be an imbalance in the entrepreneurs’ activities, and they present three reasons for this: “First, as March (1991) suggested, the returns from exploration are more uncertain, more distant in time and organisationally more distant from the locus of action and adaptation. Second, exploitative activities tend to provide fast, positive feedback in the form of customer demand, and profits produce path dependence…Third, entrepreneurs often get ‘sucked into’ operational activities. Across the sample, as mentioned previously, it was observed that there was often no gatekeeper preventing interruptions from employees who needed to clarify issues or asked for further information to solve problems.” As Volery et al. (2015) have found, the entrepreneurs’ activities are ambidextrous in nature; that is, they are dual activities. These researchers studied exploitation and
exploration activities in growth-oriented contexts. What is striking is that the exploitation activities comprised 78% of all observed activities, and only 20% were explorative in nature; the remaining 2% mainly involved travelling.

To conclude, balancing AS and OS activities is an essential way to practice SE, because SE is seen as a continuous process (Ireland & Webb, 2007, 2009; Hitt et al., 2011). Within the SE framework, this balance is hard to achieve, but it is not considered impossible. Ireland and Webb (2007) state that the allocation of resources should reflect the external and internal environment and the balance of the activities that a business engages in. Companies have different bundles of resources and capabilities, and therefore, this balance is different among companies, even in the same industries and in the same lifecycles. Thus, it is essential for entrepreneurs to explicitly acknowledge the current business environment and the future directions the business might take and to allocate the resources effectively to achieve the appropriate balance (Ireland & Webb, 2007, 2009).

This study follows the logic of SE presented by Ireland and Webb (2007, 2009) and Hitt et al. (2011). The reasons why I chose the SE perspective for my study are that SE offers the possibility to explore AS and OS balance (see Ireland & Webb, 2007), and it captures the activities of the actor, the entrepreneur in this study, and it includes the inherent built-in tensions of AS and OS activities. For this study, the balance of AS (exploitation) and OS (exploration) is most essential. Ireland and Webb (2007) describe the merging of these two types of activities as an intersection of value creation. Hitt et al. (2001, p. 480) refer to SE as “entrepreneurial action with a strategic perspective.”

**2.2 NOVEL DIRECTIONS FOR STRATEGIC ENTREPRENEURSHIP**

**2.2.1 Tensions**

For this study, tensions are one critical part of implementing SE in small businesses, mainly because of the challenges in combining AS and OS activities. Pursuing these activities requires resources, and entrepreneurs and managers face difficulties when considering how to allocate resources for improving current efficiency or emphasising future opportunities (Ireland & Webb, 2009). Furthermore, finding a balance between AS and OS activities is not easy, and it can be tension-filled.
This study offers insights on how entrepreneurs can manage tensions related to SE and how they can deal with them. Exploration and exploitation literature has addressed tensions in areas such as organisational pressures (Lavie & Rosenkopf, 2006), organisational inertia (Hannan & Freeman, 1984) and trade-offs (Raisch & Birkinshaw, 2008). However, neither SE nor exploration and exploitation research have explicitly focused on how small business entrepreneurs deal with tensions related to different combinations of AS and OS. Exploration refers to “things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation” and exploitation to “such things as refinement, choice, production, efficiency, selection, implementation and execution” (March, 1991, p. 71). Exploration and exploitation are difficult to balance, and an organisation can experience conflicts when engaging both in balance (March, 1991).

Although businesses and organisations are more successful when they simultaneously engage in exploration and exploitation (Gibson & Birkinshaw, 2004), the practise of these two activities does not come easily, and managing exploration and exploitation creates tensions because of their conflicting nature. Exploration and exploitation research has addressed such tensions (Lavie & Rosenkopf, 2006), for example, in organisational learning, technological innovation, organisational adaptation, strategic management and organisational design (Raisch & Birkinshaw, 2008), but this research has concentrated mainly on larger companies and organisations (He & Wong, 2004). Organisations can manage the tensions by combining or balancing exploration and exploitation through spatial separation, temporal separation or synthesis (Mom, 2006).

SE research has addressed tensions in some studies (Ireland & Webb, 2007, 2009; Kyrgidou & Hughes, 2010; Schindehutte & Morris, 2009) but not in the small business context. Therefore, researching SE and the inherent tensions in the small business context may reveal how the efforts of balancing AS and OS activities affect tensions and how the entrepreneurs deal with them. Further, these tensions are not possible to resolve; rather, organisations should accept their existence and learn how to manage them (Gibson & Birkinshaw, 2004; March, 1991). This suggests that trust may be a key factor for the possible survival of the organisations (Adler, Goldofitas, & Levine, 1999; Tushman & O’Reilly, 1996). Trust can uphold a business even though there may be severe tensions between the actors. If the trust is gone, the situations become much harder to resolve. Thus, the connection between tensions and trust in SE is one key factor in the fourth article of this study.
2.2.2 Trust and distrust

For this study, trust related to SE is important for the following reasons. First, the empirical analysis of the two cases in my study shows that trust can be a central mediating dimension in processes in which entrepreneurs try to deal with the difficulties caused by different emphases on AS and OS in their organisations. Second, SE creates the possibility of observing how the actors in different organisations maintain trust when engaging in AS and OS activities. Third, trust can be one of the measurements of a successful implementation of SE, and therefore, it could be an important factor in understanding SE as a mechanism for organisation success and value creation.

Lewicki, McAllister and Bies (1998, p. 439) define trust as “confident positive expectations regarding another’s conduct” and distrust as “confident negative expectations regarding another’s conduct.” Further, Lewicki and Brinsfield (2009) define high trust as characterised by hope, faith, confidence, assurance and initiative. Low trust could be characterised by no hope, no faith, no confidence, passivity and hesitation. Lewicki and Brinsfield also characterise high distrust by fear, scepticism, cynicism, wariness, watchfulness and vigilance. Low distrust, however, can be characterised by no fear, an absence of scepticism, an absence of cynicism, low monitoring and non-vigilance.

There are also many other definitions of multidimensional and complex constructs of trust and distrust, of which the above is just one example (Ingenhoff & Sommer, 2010; Kujala, Lehtimäki, & Pučėtaitė, 2015). Trust is a socially constructed phenomenon and is often based in a justified risk (Welter & Smallbone, 2006). Trust and distrust are therefore influenced greatly by human behaviour between the actors. Entrepreneurship research has studied trust and distrust, for example, in entrepreneurial activity (Welter & Smallbone, 2006) and in business development in established businesses (Zahra, Yavuz, & Ucbasaran, 2006). Both personal trust and institutional trust (Welter & Smallbone, 2006) have an influence in entrepreneurship and business.

Trust and distrust can also have an effect in opportunity recognition and the evaluation and implementation of alternative possibilities (Zahra et al., 2006). Thus, SE research, where AS and OS activities are critical to exploiting today’s advantages and exploring tomorrow’s opportunities, offers a perspective from which to research trust and distrust between organisational actors. Engaging in SE and trying to balance AS and OS activities, as stated above, create tensions and therefore trust issues. The inherent structure of SE should recognise the obvious trust and distrust issues when it considers tensions a challenge (Ireland & Webb,
thus, trust could be both an advantage and a critical factor when executing SE. SE, trust and distrust are a rare combination in the existing literature. To my knowledge, there are no studies of SE, AS and OS activities and how tensions, trust and distrust conflict and their dynamics. Therefore, the fourth article of this study offers new knowledge and insights into how small business entrepreneurs engage these in their business reality.

2.2.3 Business models

For this study, business models are important for the following reasons. First, SE and business models have not been studied previously in the small business context (Amit & Zott, 2015; Demil et al., 2015; Hitt et al., 2011). Second, the results of this study show that business models can be a mechanism by which to execute SE in the start-up phase of a business, because SE and built-in AS and OS activities concentrate on existing competitive advantages and future opportunities. Thus, SE could inform the business development phase in a way such that an existing product- or service-based business would be the spearhead of the business, and later, new business models would be implemented to add value, for example, to commercialised technology by providing services.

What is a business model? There is considerable debate in the literature regarding what it is and what might be a useful definition (Morris, Schindehutte, & Allen, 2005). A business model can be defined as how a company or an organisation structures resources and activities to create value and profit from it (Druilhe & Garnsey, 2004); thus, a business model can be a way to create and deliver value for the customer and, at the same time, to design the architecture of revenues, costs and profits (Teece, 2010). In the context of small business, the research-bases spin-off (RBSO) business model can create value from early-stage technology (Chesbrough & Rosenbloom, 2002).

Further, a business model can also be defined also as “the content, structure, and governance of transactions designed so as to create value through the exploitation of opportunities” (Amit & Zott, 2001, p. 511). One definition and representation of a business model is the Business Model Canvas (BMC) (Osterwalder & Pigneur, 2010), which has nine building blocks such as customer segments, value proposition, key resources and revenue streams. In sum, the BMC is a nicely structured tool with which an entrepreneur or a manager is forced to go through every building block systematically, and therefore, it could provide a solution for an efficient iterative process.
Resent research on SE has raised the question of integrating SE and business models and how each research avenue can have an impact on the other (Demil et al., 2015; Gerasymenko Clercq, & Sapienza, 2015; Kim & Min, 2015; Osiyevsky & Dewald, 2015). SE research (Hitt et al., 2011) has not addressed business models, although business model literature is quite extensive (Amit & Zott, 2001; Zott, Amit & Massa, 2011), and business models have been studied from the point of view of exploration and exploitation (e.g. Smith, Binns, & Tushman, 2010; Markides, 2013).

Why would SE be beneficial in studying business models? First, SE integrates strategic management and entrepreneurship, that is, AS and OS activities (Ireland & Webb, 2007, 2009); thus, two extremely important questions arise in business model design: how to exploit the existing competitive advantages and how to explore future opportunities to secure the competitiveness of the business. Business model design, or restructuring, should connect strategy with entrepreneurship (Demil et al., 2015). Second, a business model can be part of a “firm’s arsenal of strategic weapons” (Demil et al., 2015, p. 6), meaning that a business model reflects the realised strategy; therefore, utilising SE in business model design would be beneficial. Hence, the design and implementation phases are particularly important for the effectiveness of a business model, and the management of the business model is also a central factor (Brea-Solís, Casadesus-Masanell, & Grifell-Tatjé, 2015).

This study explores how SE can be executed in designing business models, in particular for an RBSO, to reduce the risks in the market entry phase and increase the potential opportunities and revenues in the future business by designing a two-by-two combination of business models. This means that the RBSO can execute AS activities in the early phase and, later on, OS activities, as the business has started to grow, by utilising existing markets and competitive advantages. SE can have an effect on the designing of business models (see Demil et al., 2015; Gerasymenko et al., 2015). Further, SE can play a role in designing a business at the early phase, and business models can be a mechanism for that. The SE perspective (Hitt et al., 2011; Ireland & Webb, 2007, 2009) can be used to study business model design, especially in the RBSOs and other start-ups. For this study, the notion of business models in general and concerning RBSOs and other start-ups in particular can be enriched through the SE perspective. A balance between AS and OS activities is challenging to achieve, and this also applies to business models used in the RBSO context. However, the business model line of thought offers one spe-
cific way to consider and analyse how the basic ideas of exploration and exploitation (March, 1991) that lie behind the SE perspective can be acknowledged in business.
3 Study design

3.1 RESEARCH APPROACH AND METHODOLOGY

In this chapter, I will explain how I have conducted this study. I will elaborate on the practical elements of doing the research and also on the choices I have made and the reasoning behind these choices. The data comes from the interviews of two entrepreneurs and from documents from the first project as well as from interviews, workshops, brainstorming sessions and minutes of meetings from the other project I was involved with; see Table 1 for a comprehensive display of the data. Then I will elaborate on data collection and will briefly go through the methodological choices in the articles.

A main starting point of this study is to understand the interpretations made by individuals (Dubois & Gadde, 2002). Furthermore, I am interested in how actors experience the situations and issues that they are involved in (Eriksson & Kovalainen, 2015). This is what I mean by the expression “entrepreneurs’ perspective”, emphasised in my study. Researching SE from the entrepreneurs’ perspective fills one major gap in the SE literature. My further aim has been to fill another gap in the SE literature with the adoption of a longitudinal research approach in my study. A longitudinal approach refers to investigating events, activities, interpretations and experiences over time (Langley, 2009).

The two-year GTI project during which I collected the interview data through three rounds of interviews made it possible to identify AS and OS activities from the entrepreneurs’ perspective in the first, second and third articles. For the fourth article, the two-and-a-half-year-long AKU2 project enabled me to have an insider’s view of the development process where the key target was to design business models for a novel technology. The GTI project involved 31 companies participating in phase one in which we had repeated face-to-face meetings and discussions about their businesses, the challenges, the successes and the opportunities and possibilities. We also had group meetings where consultants provided extra assistance in specifying the core problems and the core opportunities the entrepreneurs had envisioned. We also did an analysis of their businesses using different statistical and empirical analysis tools. For phase two, 15 companies
were selected according to their suitability and commitment to the project; fur-
ther, every company and an entrepreneur were given a revised strategy and a
business model after phase two. Both of my case companies went through both
phases of the GTI project, which gave me good access to them in terms of acquir-
ing detailed longitudinal data covering several years of development related to
AS and OS activities and experiences (Eriksson & Kovalainen, 2015). I did not
know these case companies and their entrepreneurs; nor had I had any contact
with them prior to the GTI project (Pratt, 2009).

The criteria and case selection process is a critical phase in any study, because
these have an influence on the type of results gained (Miles & Huberman, 1994).
I considered multiple criteria by which to select the company cases among the 15
companies which were selected for phase two in the GTI project. My final choice
was based primarily on theoretical sampling (Eisenhardt & Graebner, 2007; Pratt,
2009) and on the following criteria. First, both case companies were SMEs (for the
definition of SME, I apply the European Commission recommendation, 2003).
Second, the case companies self-reported a growth orientation when they partic-
ipated in the GTI project. Third, these companies were in different situations ac-
cording to their age, growth and profitability, which provided an interesting point
of empirical comparison between them. Therefore, my final choice was to select
two extreme cases (one young company and one old company) concerning which
my initial expectation was that the business development processes would be dif-
ferent. In the selected case companies, the key informants’ roles also differed (one
was an owner-entrepreneur, and the other was an internal entrepreneur without
any ownership role). In this study, internal entrepreneurship refers to proactive-
ness and the intention to change and develop the existing products and services
and, further, to seek new business opportunities in the existing organisation (An-

In order to increase the internal validity (Gibbert, Ruigrok, & Wicki, 2008), I
formed a research framework based on the existing literature and conducted pat-
tern matching within each case by comparing the emerging themes and identify-
ing possible contrasting explanations (Eisenhardt, 1989; Gibbert et al., 2008; Yin,
2014). In addition, I, with the co-author, also adopted theory triangulation with
the different concepts of SE (Hitt et al., 2011; Ireland & Webb, 2007, 2009; Kyrgi-
dou & Hughes, 2010). To increase the construction of the external validity and
reliability (Gibbert et al., 2008), I based the interviews on the SE literature. With
the co-author, I constructed a thematic framework by using the SE perspective
presented by Ireland and Webb (2007, 2009) and Hitt et al. (2011). I also utilised
data triangulation by cross-checking the interview data and the secondary data to
allow a better understanding of the entrepreneurs’ past, present and future activities and therefore to increase the validity of this research (Eriksson & Kovalainen, 2015).

While the actual case company names would increase the reliability of the study (Gibbert et al., 2008), I have followed the requests of the interviewees not to publish company or entrepreneur names or any other information that could result in the identification of the informants. The main reason for their request was that one company had a serious financial deficit and significant losses, while the other company had an ongoing strategy renewal which included the sale of the existing company and the formation of a new start-up. In this introduction and in the articles, the anonymity has been resolved by removing all identifying details such as the entrepreneurs’ and companies’ names and locations, although I have included information about the industry of the companies, what products and services they provide and the fact that they participated in the GTI project. Regardless of this revealed information, the richness of the data has not been reduced by this decision, and the analysis phase has not been affected either by the anonymity or by the revealed information. Further, in the transcription phase, everything was transcribed, but we left out details which could lead to identification of the case companies.

As a researcher, I am solely responsible for research ethics. In this study, I have followed the general research ethical guidelines of the University of Eastern Finland and of the Finnish Advisory Board on Research Integrity. As I mentioned above, both entrepreneurs wanted to remain anonymous, which was my main ethical concern. All data has been kept safe with the researchers involved in the articles by sharing data only with the co-authors. The interview data from the case companies has been used only in the three articles of this study, and this specific data has been and is still in the co-authors’ possession. I have kept all my files concerning this study on the University of Eastern Finland’s controlled internal data disk. For backup copies of the interview data and all data, including that in this study, I have used the University of Eastern Finland’s controlled cloud services, where only I have full access and control.

### 3.2 DATA COLLECTION

In this chapter, I present a detailed description of the empirical data I have collected, and I describe the data analysis. The following are short descriptions of the
two entrepreneurs. These entrepreneurs were the key informants for the first, second and third articles of this study.

The first entrepreneur works in a company founded in 1979. It is a high-tech company in the ICT industry and currently produces, markets and sells GSM-based control and alarm technology. The products can help control and protect real estate and motor vehicles, but these products are also feasible for other industries. The key expertise is concentrated in wireless remote control and data transfer as well as in several applications in the networking business. The company has developed its own products from start to finish. Since its founding, the company has grown steadily and has been profitable. In 2009, it reached a peak in turnover, personnel and the overall size of the business. Since then, major changes have happened in the business, and many important customers were lost because of the economic downturn, aging technology and complications in sales and in the customer-oriented approach. The entrepreneur has had a difficult time adjusting the cost structure even to keep the business afloat. The entrepreneur is a hard-working engineer and is efficiency-oriented, and even during hard times, motivation, relentlessness and fairness are the entrepreneur’s cornerstones.

The second entrepreneur founded the company in 2008 based on a patented innovation and a business vision which had its roots in university research; he has a PhD in technology and is still a prominent researcher in the field. The company is a high-tech company which operates in the ICT industry. Its main product is surveillance equipment with motion detector and figure recognition, and it makes use of wireless 3G and 4G. The novelty of the product is that it offers customers almost carefree, reliable and efficient all-weather devices, with extremely sharp images of the surveillance target in one package. Since the entrepreneur has heavily invested his time and efforts into the R&D, he is able to manage the development process of key products from beginning to end. It is fair to say that the company almost lives and dies with the inventor. It is highly opportunity-oriented and seeks out new business opportunities and acknowledges that the product must be of high quality to compete in international markets. As a researcher, I encountered a really interesting case, as the company established in 2008 was sold to other owners, and the entrepreneur had to start up a new business. This was an unexpected incident, but in research, a really interesting case.

I understand context as the conditions in which something is happening, and in this study, this refers to the ways in which small businesses and their entrepreneurs act in various activities and how the surrounding circumstances such as the economic situation and the ICT industry affect the cases (see Eriksson & Kovalainen, 2015; Pettigrew, 1997). The small business context is emphasised in this
study, but additionally, the cases are connected by the same ICT industry and the same economic environment, which thus form the setting of this study (Stake, 1995).

The main source of information in collecting data was interviews with the entrepreneurs of the companies, although during the two-year project, we monitored both companies and entrepreneurs closely. First, we had meetings with the entrepreneurs and with one of the consultants involved in the GTI project in February 2012. The purpose of the meetings was to discuss the current situation of the company and what expectations they had of the GTI project. We then wrote memos proposing the existing development targets which would be discussed and planned thoroughly later in the project meetings. With the co-author, Kaarlo Paloniemi, I conducted three interviews per company between April and October in 2012, each interview lasting 60–120 minutes, for a total of six interviews. The reason for conducting interviews three times during the half year was the ongoing business development processes of both companies. I wanted to open up and follow the development process over a longer period, so I could observe the process closely. Thus, we conducted six semi-structured, open-ended interviews in total. Furthermore, all interviews were conducted in a theme-structural protocol (Gibbert et al., 2008) to prevent the interviews from evolving into free discussions unrelated to the specific themes. We also took field notes during our interviews, recording our notes, unofficial conversations and our own interpretations and ponderings (Eisenhardt, 1989; Van Maanen, 1988).
<table>
<thead>
<tr>
<th>Source</th>
<th>Materials</th>
<th>Articles</th>
</tr>
</thead>
</table>
| **GTI Project**  
(2 years) | **INTERVIEWS AND DISCUSSIONS**  
Six interviews with two entrepreneurs  
158 pages (57,378 words) of transcribed data  
Discussions in the seminars and workshops  
Informal discussions  
**DOCUMENTS**  
Minutes of meetings and memos  
Web pages  
Product and service leaflets  
Technology reviews  
IMPprove analyses and reports  
Final report of the project | 1, 2 & 3 |
| **AKU2 Project**  
(2.5 years) | **INTERVIEWS AND DISCUSSIONS**  
Five interviews with potential customers  
Two interviews with the leading consultant companies  
Eight phone interviews with noise consultants  
Several meetings and discussions with different actors in the noise monitoring business  
**DOCUMENTS**  
Nine steering group minutes of meetings  
Dozens of project group minutes of meetings  
Reports from the customer meetings  
Memos from the interviews  
Project leaflets  
One Master’s Thesis in Innovation Management  
Final report of the project  
**WORKSHOPS AND BRAINSTORMING SESSIONS**  
Business concept workshops  
Several brainstorming sessions to generate business concepts for the new technology  
Several meetings with the project personnel to design the business models | 4 |
IMP$^3$rove analysis helped with the research design by providing valuable secondary information for the companies, and thus they revealed the capabilities with respect to how these companies concentrated resources to existing business and opportunities. The EU-developed analysis tool assesses a company’s innovation management capabilities and performance. This tool was chosen when the GTI project was being developed. IMP$^3$rove reports are based on entrepreneurs’ answers, and the analysis produces a report some 100 pages long; it includes growth prediction for 3–5 years and questions of innovation strategy, organisation and culture, innovation life cycle processes, management, product/service/processes and organisational and business model development and financial issues, to mention the most significant elements. The IMP$^3$rove analyses were conducted at the start of the GTI project by the participating entrepreneurs. After they had done the analysis project, researchers and other project personnel analysed the results and wrote individual reports regarding the companies’ innovation management performance. I also obtained the companies’ financial statements from public databases (e.g. the VOITTO database of Asiakastieto Ltd.; TEKES), and I also reviewed websites and brochures. I also studied the technology these companies were marketing and selling, in order to gain insights and to improve the analysis of the interviews.

All interviews were recorded, and the interview data was first transcribed into text form, which produced 158 pages of data altogether. Since all interviews were conducted in Finnish, the authors of the first and second article first transcribed all of the interview data verbatim in Finnish, including all the questions by the two interviewers and the answers by the entrepreneurs in detail. The data was not fully translated into English; only the power quotes for the first article and the narratives for the third article were translated. We used outside professional translators to ensure that all the meanings were represented as faithfully as possible. We acknowledge that some meanings and interpretations could be lost in the translations, but they were conducted as accurately as possible, and we also cross-checked the original data to the translated data.

During the first round of interviews in April 2012 together with the co-author, the purpose was to specify the starting points of the development processes as the interviewees experienced them; these included, for example, the reasons behind a strict cost-cutting program or another significant event in the existing businesses. In addition, the interview themes consisted of issues related to the expected AS and OS activities, expectations, and formal or informal thoughts or plans which the interviewee or the company as a whole planned to execute. The themes were constructed under thematic headings such as the overview of the
case company, strategy, existing business, future business, opportunities and ways forward. The questions for the first interview round were open in such a way that the entrepreneur could rather freely describe the issue asked about, for example, “Could you please describe how the cost cuts are affecting your business?” or “Could you please describe the existing commercialised technology and future ideas?”

The second round of interviews was conducted within a month after the first one, and their focus was on discussing the AS and OS activities that the interviewee had implemented since the first interview. The purpose of the second interview was to evaluate the new decisions the entrepreneurs and the top management had made and to obtain more information regarding the future activities they had planned. The questions included were, for example, “What are the strategic goals of your company at the moment?” or “How is your new business model different from the older one?” The third interview round, conducted in October 2012, was focused on how the interviewees had experienced the ongoing business development process as a whole, including the entrepreneurs’ own AS and OS activities during the process, and how they thought the process would affect the company’s future.

In line with Miles and Huberman (1994), I (together with my co-authors) started the analysis of the interview data as a case-by-case data reduction and systematic coding with primary and additional data. The coding was done to match the entrepreneurs’ activities with AS and OS activities in several tables (Hitt et al., 2011; Ireland & Webb, 2007, 2009). These tables were cross-checked by the authors. Through that activity, the aim was to visualise both the development process as a whole and the nature of the AS and OS activities conducted by the entrepreneurs. In addition, I organised the various activities by the entrepreneurs in chronological order (see Pettigrew, 1990). I also used tables and case stories to identify, firstly, the patterns of both entrepreneurs regarding both AS and OS activities. Then I conducted systematic content coding from the raw data, first from open coding and then to axial coding and eventually to selective coding (see Table 2 for an example of this coding). The reason for this was that the purpose was to go from raw data themes to much more detailed themes in the selective coding stage, based on the Grounded Theory (Corbin & Strauss, 2014).

However, in this study, the analysis was not done by using the Grounded Theory; it provided a tool by which to organise the raw data into a more refined structure. Miles and Huberman (1994) suggest that data analysis should consist of three procedures. The first is data reduction (the mass of data, that is, the transcript interviews); the second is data display (tables); and the third is conclusion-
drawing/verification (initial conclusions). The display phase (Miles & Huberman, 1994) resulted in two case stories. Based on these stories, I presented an integrated understanding of the way SE and AS and OS activities were utilised and how the entrepreneurs tried to find a balance between them (Ireland & Webb, 2007, 2009). Finally, in the conclusion phase (Miles & Huberman, 1994), I focused on contemplating the influence the findings might have with respect to the SE perspective.
Table 2: Examples of coding the data

<table>
<thead>
<tr>
<th>Raw data</th>
<th>Open coding</th>
<th>Axial coding</th>
<th>Selective coding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well, in fact, it did not result in any complications; all went surprisingly well. In addition, there has been a little feeling about the whole time that something probably will happen. Right away people [employees] started to think that who is going to do what, so in that sense it all went quite fast, the change, I mean.</td>
<td>Attitude to change</td>
<td>Attitude to change</td>
<td>Attitude to change and mistakes</td>
</tr>
<tr>
<td>Both the owner and chairman of the board came here to visit. Then in a day, it was decided and agreed on the practical issues, and then they went back, and then, after that, it has been the model [for business].</td>
<td>Method of progress</td>
<td>Method of progress</td>
<td>Method of progress</td>
</tr>
<tr>
<td>Well, uh, only one of our products is not so active. We are not doing any activities with it, and, maybe we should clean that product off the table, you know.</td>
<td>Attitude to mistakes</td>
<td>Attitude to mistakes</td>
<td>Attitude to change and mistakes</td>
</tr>
<tr>
<td>Since the last change, we have had fewer resources, that we simply cannot add more [workload to employees].</td>
<td>Attitude to change</td>
<td>Attitude to change</td>
<td>Attitude to change and mistakes</td>
</tr>
<tr>
<td>Well, actually it has started with the Tekes project.</td>
<td>The origin of business model</td>
<td>The creation of new business model</td>
<td>The creation of new business model</td>
</tr>
<tr>
<td>There is no actual template. It has been outlined in our own minds and on the paper for these Tekes-applications.</td>
<td>General view of business model</td>
<td>General view of business model</td>
<td>General view of business model</td>
</tr>
<tr>
<td>Revenue logic is quite different [in business models] and specifically on that business-to-business model.</td>
<td>Revenue logic</td>
<td>Revenue logic</td>
<td>Revenue logic</td>
</tr>
<tr>
<td>Yeah, this is completely [own invention], yes.</td>
<td>New product</td>
<td>New product</td>
<td>New product</td>
</tr>
<tr>
<td>Well, there are several customers. You could say that the groups are various.</td>
<td>Customer groups</td>
<td>Customer groups</td>
<td>Customer groups</td>
</tr>
<tr>
<td>Yes, absolutely. Growth and internationalisation is in our high priority.</td>
<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
</tr>
</tbody>
</table>

Italics translated from Finnish to English
The same interview data was then reanalysed with my co-author for the third article. The overall transcribed data consists of 158 pages and 57,378 words. The three rounds of analysis were carried out using the guidelines of Eriksson and Kovalainen (2015). The first round of analysis was focused and coded according to the SE tensions involved. We wrote analytical memos several times and constructed a holistic understanding for both cases. The second round of analysis, a cross-case analysis, was conducted to make a comparison between the cases. The third round of analysis focused on specifying the meanings of trust and distrust. From this we produced two narratives of the past, present and future dimensions of the entrepreneurs. I used direct quotations in the first and third article, because they illustrate how AS and OS activities were implemented and combined in the case companies and how the entrepreneurs interpreted and experienced this implementation.

For the fourth article, the data was collected during the two-and-a-half-year AKU2 project. Interviews with the potential customers and consultants were conducted by the project researchers several times in face-to-face meetings and by phone. We also held workshops and brainstorming sessions with the project participants and consultants. Minutes of the meetings were written for all of these. The interview data for the fourth article was also transcribed verbatim, and the qualitative content analysis protocol (Eriksson & Kovalainen, 2015) was used for data analysis. The analysis was iterative and consisted of four phases. In the first phase, we constructed the theoretical framework, and in the second phase, all data was analysed and we wrote analytical memos. In the third phase, the business models were constructed for the spin-off, utilising the knowledge from the first and the second phases. In the fourth phase, the constructed business models were reanalysed with the theoretical views of exploration, exploitation and SE.

3.3 METHODOLOGICAL CHOICES IN THE ARTICLES

Article 1: Actions of Two Entrepreneurs in Growth-oriented Business Development
In this article, co-authored with Kaarlo Paloniemi, we explored the activities of two entrepreneurs in their growth-oriented business development. (We used the term “action” in the first and second article, but in this introductory essay, I use the term “activity” throughout for clarity.) The article, based on the SE framework (Hitt et al., 2011; Ireland & Webb, 2007, 2009) focused on AS and OS activities,
asking how the entrepreneurs seek to balance them. The research question was the following: How do entrepreneurs balance AS and OS activities over time? To answer this question, we employed a longitudinal case study design (Yin, 2009, 2014) and utilised a theme-structured qualitative interview protocol (Eriksson & Kovalainen, 2015). The data was collected from the two entrepreneurs working in the case companies. Field notes and secondary data from informal conversations were also used in the analysis. In this article, the data was the same as in the second and third articles.

We were interested in the ongoing business development efforts which both entrepreneurs had ongoing. We started the interviews in the middle of these development processes and decided that it would give us interesting and valuable data if we followed them for a longer period of time. We had three interviews for each entrepreneur, six in total. After the transcription, we began the analysis process by reading the data several times line-by-line and by coding the elements related to AS and OS activities. We focused on OS-related elements, which included changing the current business model, seeking out new business opportunities and the consideration of changing the current products or designing new ones to meet the existing and possible future customer demand. In a similar way, we focused on the AS-related elements, which included existing products and services and how these could be utilised more efficiently and profitably as well as on how the existing resources were managed. The three-stage coding process following the Grounded Theory protocol provided an extensive list of AS and OS themes, activities, thoughts and patterns which eventually led to the understanding of the balance in both case companies. We both did the analysis and also produced the list together, resulting in selective coding of the main themes, for example, the creation of a new business model or a strict cost-cutting program. Under these main themes, the codes were organised under different categories and were grouped together in tables in thematic order. We used different colours to highlight the most important events in all six interviews, and after this, we constructed a timeline in tables within the main themes. With the timeline, we could analyse how and when the entrepreneurs implemented and balanced AS and OS activities over time.

Article 2: An Alternative Construction of Opportunity-seeking Action for Strategic Entrepreneurship
In this article, co-authored with Kaarlo Paloniemi, we focused on the OS activities of the same two entrepreneurs as in the first article. Our research question was
the following: How do entrepreneurs implement OS activities? The purpose was to discuss alternative research perspectives for the study of opportunity by employing the SE perspective (Hitt et al., 2011; Ireland & Webb, 2007, 2009). The aim was also to show that opportunity was the outcome of an entrepreneurial process. We employed three alternative research perspectives — critical realism, nominalism and structuration — and additionally used the Gartnerian (1985) framework (entrepreneur, environment and entrepreneurial and opportunity) to further the understanding of the construction of opportunity and the entrepreneurial process in SE.

This article was based on the same company cases and utilised the same data as the first and third articles. However, we used three alternative perspectives and an additional framework; therefore, we analysed the data again for the purposes of this article. Our data analysis consisted of both the primary and additional data, such as case-by-case data reduction and systematic coding (Miles & Hubermann, 1994), to visualise the OS activities entrepreneurs undertook in their development processes. In addition, we organised OS activities in a chronological order (Pettigrew, 1997) by using tables and power quotations to identify the activity patterns of both entrepreneurs in the context of growth-oriented business development processes. We used tables and colours to visualise and organise the OS activities over time. This analysis work was valuable for separating AS and OS activities and finding all OS activities under specific thematic headings. In the analysis phase, the criteria for finding only OS activities were that the entrepreneurs had engaged in activities which, for example, focused on ideas for future business, on a business model or on a business plan. Based on our literature review, we chose to analyse the data from a critical realist perspective and to utilise the model of entrepreneurial process (MEP) (Hindle, 2010).

**Article 3: Tensions and Trust in Strategic Entrepreneurship**

In this article, co-authored with Päivi Eriksson, we used the same six interviews with the two entrepreneurs to construct narratives focusing on the past, present and future of the same case companies as in the two first articles. Our research question was the following: How do entrepreneurs deal with tensions related to AS and OS? This article employed a longitudinal and interpretative research approach (Pettigrew, 1997; Langley, 2009). We began by reading the data several times in order to understand how the entrepreneurs described their experiences related to AS and OS activities. In the interviews, the two entrepreneurs had been asked to share their thoughts, experiences and feelings regarding their endeav-
ours in business. Thus, we were able to trace how their understanding of the activities was carried out in their companies and how their personal experiences of these activities evolved over time.

The first round of analysis focused on each interview separately, the contents of which were recoded according to the SE dimensions, as reported by Ireland et al. (2003). We also used Ireland and Webb’s (2007, 2009) construction and understanding of balancing AS and OS activities. Based on our preliminary findings, we added a new coding category, which was tensions related to SE. Thereafter, we wrote analytical memos in which our findings from both cases were synthesised to generate a holistic understanding of the case-specific experiences and interpretations of the entrepreneurs.

In the second round of the analysis, we conducted a cross-case analysis to compare the findings from the cases. In this phase, the goal was to gain an understanding of the SE phenomenon through the systematic comparison and synthesising of case-specific findings. By comparing the cases, we identified how evolving notions of trust and distrust were interlinked with the interviewees’ experiences and interpretations. In the third round of analysis, the data was reanalysed once more to specify the meanings of trust and distrust in both cases. Based on the three rounds of analysis, we wrote two narratives focusing on tensions, trust and distrust in the SE process.

**Article 4: Business Models for Research-based Spin-offs: The Strategic Entrepreneurship Perspective**

In this article, co-authored with Jukka Niskanen and Tero Montonen, we focused on business models of an RBSO, and our research question was: How can SE be used to inform business model development? We used the data from interviews, workshops, brainstorming sessions and minutes of meetings from the AKU2 project. We chose the action research strategy (Eriksson & Kovalainen, 2015) for this research, because we aimed to solve a managerial problem through the construction of new artefacts, in this case, business models. Our focus was in the middle of empirical and theoretical crossroads, and therefore, we utilised a constructive research approach so that the constructed business models would work in real life (Lindholm, 2008). We also noticed that SE and business models lacked rigorous empirical research, which gave us the idea to implement the SE perspective in the analysis of the business models to be able to understand AS and OS activities in the development process.
A qualitative content analysis protocol (Eriksson & Kovalainen, 2015) was used for the data analysis. The analysis proceeded iteratively in four phases. In the first stage, the researchers constructed the theoretical framework on which basis the new business models were designed. This included reading and analysing articles focusing on business models, start-ups and research-based spin-offs (RBSOs) and writing analytical memos on the articles. In this phase, theoretical and researcher triangulation was used to check that the theoretical materials covered the current knowledge on business models. In the second phase, the researchers analysed all materials collected during the project and wrote analytical memos for these. In this phase, researcher triangulation and reflexive discussions among the researchers were conducted to check that all relevant content and themes in the data had been covered. In the third phase, the researchers constructed the business models for the RBSO, utilising the knowledge generated from the first and second phases of the analysis. In the fourth phase of the analysis, the researchers reanalysed the business models which had been constructed earlier with the theoretical ideas of exploration, exploitation and SE.
4 Results

This study consists of two published articles and two unpublished manuscripts. In the following, I will discuss the results and contributions of each.

4.1 ACTIONS OF TWO ENTREPRENEURS IN GROWTH-ORIENTED BUSINESS DEVELOPMENT

Piispanen, V-V. & Paloniemi, K.
The research question of this article is: How do entrepreneurs balance AS and OS activities over time? Previous research on SE lacks an understanding of how AS and OS activities are combined and balanced in small companies, which is the focus of this article. The article aims to fill this gap by studying two growth-oriented entrepreneurs in the context of a business development process.

The results indicate that in small companies, entrepreneurs devote time and other resources to both AS and OS activities over a longer period of time. Furthermore, entrepreneurs try to combine AS and OS and also seek to find a balance between them that will be appropriate in their business situation. The results also indicate that even in a situation of business transformation caused by declining sales and profitability, the entrepreneurs search for new business opportunities and future growth.

The article contributes to SE research by providing new knowledge on how small business entrepreneurs deal with AS and OS activities over time. As emphasised by SE scholars (Hitt et al., 2011; Ireland & Webb, 2009), the balance of AS and OS is difficult, yet possible. These contributions also shed new light on the interdependent and complementary nature of AS and OS (Schindehutte & Morris, 2009). The main contribution of this article, related to the core argument of SE, is that small business entrepreneurs emphasise both AS and OS activities even in financially difficult situations and that they seek a context-specific balance between them over time.
4.2 AN ALTERNATIVE CONSTRUCTION OF OPPORTUNITY-SEEKING ACTION FOR STRATEGIC ENTREPRENEURSHIP

Paloniemi, K. & Piispanen, V-V.
The research question of this article is: How do entrepreneurs enact OS activities? This article focuses on the OS activities of the entrepreneurs in the same case companies that are studied in the first article. SE has roots in a resource-based view (RBV) (Ireland et al., 2003), which means that the strategic emphasis is somewhat “overvalued”. Current literature does not clearly show the role and the activities of the entrepreneur in creating business opportunities (Davidsson & Tonelli, 2013; Gartner, 2014).

The results indicate that the business situation affects how the entrepreneurs manage OS activities, and thus, this has an effect on the balance of AS and OS activities. The results also indicate that the entrepreneurs differentiate the emphasis of OS activities depending on the current need for business opportunities or upgrades of the existing products and services.

The article contributes to SE research by discovering how small business entrepreneurs enact OS activities (Ireland & Webb, 2009). A further contribution is that alternative lenses such as critical realism, nominalism and structuration allow us to look at opportunity through different lenses. In this article, the environment, the entrepreneur and the entrepreneurial process further the understanding of the opportunity (Davidsson & Tonelli, 2013; Gartner, 1985).

4.3 TENSIONS AND TRUST IN STRATEGIC ENTREPRENEURSHIP

Piispanen, V-V. & Eriksson, P.
The research question of this article is: How do small business entrepreneurs experience and deal with tensions related to AS and OS? Research on exploration and exploitation has extensively elaborated on tensions in combining efficiency and innovation (Gibson & Birkinshaw, 2004; O’Reilly & Tushman, 2013), which have been acknowledged but not studied empirically in the field of SE. The article aims to fill this research gap by studying the same company cases as in the two previous articles from a new angle, that is, through the narrated experiences of the entrepreneurs.

The results indicate that in financially difficult times when the top management heavily emphasises AS activities, the entrepreneurs continue to emphasise
OS activities. However, entrepreneurs also experience continuous tensions concerning the implementation of AS and OS. To deal with these tensions, they develop personal strategies in which they either focus on the sequential implementation of AS and OS or implement OS in a new business unit, that is, in a new start-up. The results also indicate that the personal strategies are shaped by the experiences of trust and distrust towards the company and its other actors.

The article contributes to the theoretical discussion concerning the managerial tensions in relation to SE (Ireland & Webb, 2007, 2009). The main contribution, however, highlights the relevance of trust and distrust in shaping SE processes. The role of trust has not been studied in SE, even though the notion of trust has been acknowledged in exploitation and exploration research (Gibson & Birkinshaw, 2004; O’Reilly & Tushman, 2013).

4.4 BUSINESS MODELS FOR RESEARCH-BASED SPIN-OFFS: THE STRATEGIC ENTREPRENEURSHIP PERSPECTIVE

Niskanen, J., Piispanen, V-V. & Montonen, T.

The research question of this article is: How can SE be used to inform business model development? Prior research has assumed that RBSOs and other start-ups utilise only one business model (Clausen & Rasmussen, 2013). RBSOs and start-ups did not gain major interest in SE research until 2015, in a special issue in the Strategic Entrepreneurship Journal on SE and business models (see Demil et al., 2015). This special issue raised questions of whether SE would be highly beneficial for the study of business models.

The results suggest designing a dynamic combination of business models, where the first implementation phase would be the exploitation of product-oriented demand, and after the business has gained enough ground, then the implementation of service-oriented models would be explored. The solution would be to implement the models over time. This combination, combined with taking time as a factor in the implementation phases, would reduce the risks of the market entry. Results also indicate that considering AS and OS activities in the business model design would allow the start-up to have a more strategic resource allocation, whereas riskier and more challenging models would be implemented after the product-oriented models.

The article contributes to the growing body of business model research in SE (Demil et al., 2015; Wright, Clarysse, & Mosey, 2012) but also in exploration and
exploitation (Markides, 2013). The insight that an RBSO or a start-up could benefit from a dynamic combination of business models and their implementation phased in time would indicate that technology-driven companies with a service orientation could enhance their business development. Thus, in our case, separating business models in time does not mean establishing a separate business unit but means simultaneously managing all business models when the business has grown to the level where more than one business model is financially sound to manage (see Markides, 2013, for contextual ambidexterity).
<table>
<thead>
<tr>
<th>Article 1</th>
<th>Article 2</th>
<th>Article 3</th>
<th>Article 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title</td>
<td>Actions of two entrepreneurs in growth-oriented business development</td>
<td>An alternative construction of opportunity-seeking action for strategic entrepreneurship</td>
<td>Tensions and trust in strategic entrepreneurship</td>
</tr>
<tr>
<td>Research question</td>
<td>How does an entrepreneur balance AS and OS activities over time?</td>
<td>How does an entrepreneur implement OS activities?</td>
<td>How do entrepreneurs deal with tensions related to AS and OS?</td>
</tr>
<tr>
<td>Contributions</td>
<td>-Entrepreneurs actively seek to balance AS and OS activities by emphasising them in time</td>
<td>-Entrepreneurs differentiate the emphasis of OS activity implementation</td>
<td>-AS activities are emphasised by top management</td>
</tr>
<tr>
<td></td>
<td>-In financially difficult times, AS activities are emphasised, and OS activities are in reduced to almost minimum</td>
<td>-Three alternative perspectives on opportunity enhance the understanding of the entrepreneurial process</td>
<td>-OS activities are emphasised by entrepreneur</td>
</tr>
<tr>
<td></td>
<td>-Balance is a continuous and dynamic process where AS and OS overlap in time</td>
<td></td>
<td>-Balancing AS and OS creates tensions</td>
</tr>
</tbody>
</table>
5 Conclusions

5.1 FINDINGS

The overall objective of this study was to explore how SE is implemented in small businesses. In order to pursue this objective, I developed four sub-questions. On the basis of the analysis, the findings indicate that in both case companies, the entrepreneurs actively seek the balance of AS and OS activities. It was found that this is a continuous process where OS activities are explored at the same time as AS activities and overlap in time. Furthermore, the results show that when struggling financially, the concentration is on AS activities, and only minor OS activities are emphasised to develop new business opportunities. Furthermore, the implementation differs significantly, depending on the situation of the business. The results imply that in established businesses, OS activities occur with the future in sight; thus, the activities are directed to existing products and services. In contrast, in the start-ups, OS activities are enacted for immediate growth; thus, the activities are directed towards creating new business opportunities.

Additionally, the findings indicate that the entrepreneurs developed personal strategies to deal with tensions. In the first case, the entrepreneur built trust in the company, top management and owners and emphasised AS and OS activities over time. In the second case, the entrepreneur built distrust for the company, top management and owners and emphasised AS and OS activities in order to separate companies. Further, results highlight that in financially difficult situations, AS activities might be managed from the top down and OS activities from the bottom up. Finally, the findings show that SE could be used as a mechanism by which to design business models. The results also indicate that SE as a mechanism could be used to reduce the risks in the market entry phase and to increase the potential opportunities and revenues in the future business, that is, by designing the business models implemented sequentially in time. This also means that an RBSO or other start-up can execute AS activities in the early phase and later on, OS activities, as the business starts to grow, by utilising existing markets and competitive advantages.
The answer to the main research question of this study is that small businesses and their entrepreneurs implement SE in their businesses, but they do it considerably differently. The entrepreneurs are the key actors in implementing OS activities, that is, in exploring new business opportunities, and thus, they actively seek the balance of AS and OS activities. However, the balance can vary considerably depending on the business situation, and the configuration of balance is not a static process but is instead dynamic in nature. But the duality of SE does not mean that there is one certain prejudiced time for AS or OS activities.

The main motivation for this study was to contribute to SE research (Hitt et al., 2011; Ireland & Webb, 2007, 2009; Kyrgidou & Hughes, 2010). Connected to this motivation, it was extraordinary and truly fortunate to be involved in the entrepreneurs’ business development processes, even though I had a chance to witness just a glimpse of these processes through the interviews and discussions. The interviews were reflective in the sense that the entrepreneurs were asked to describe what had happened in the past, in the present between the interviews and with views towards the future as well. Thus, everything they told me included their interpretations of their own activities and their businesses, that is, their realities. Nevertheless, I could build a better understanding, through a longer period of time, of AS and OS activities and of SE in general. Further, the commercialisation project offered an opportunity to research the business model design process and examine how SE could enhance those models.

5.2 THEORETICAL AND METHODOLOGICAL CONTRIBUTION

This research makes the following contributions to the SE literature. First, the small business context does not dictate that small business companies implement SE in similar ways. Even within the same industry (ICT in this study), the implementation of SE differed considerably. There has been a lack of empirical research of SE in the small business context (Hitt et al., 2011; Ireland & Webb, 2009; Kyrgidou & Hughes, 2010); therefore, this study brings a new context to SE research and illustrates how small businesses and their entrepreneurs implement SE.

In small businesses, the entrepreneurs are key actors in combining AS and OS activities. In particular, the entrepreneurs emphasise OS activities even in financially difficult situations in which the top management focuses solely on AS ac-
tivities. Previous research in SE has not illustrated how small business entrepreneurs combine or balance AS and OS activities (Kyrgidou & Petridou, 2011; Schindehutte & Morris, 2009).

SE could be used as a mechanism to inform the business model development process, taking both AS and OS activities into consideration, that is, by designing the combination of business models and implementing them in phases by reducing market risks in the entry phase. Phased implementation of the business models is extended in this study from established businesses to start-ups (Markides & Charitou, 2004), and new knowledge is also added on the implementation of multiple business models (Clausen & Rasmussen, 2013). SE research has not addressed RBSOs and the business models design phase, although SE research and business model research could benefit greatly from each other (Demil et al., 2015; Ireland & Webb, 2009; Osiyevskyy & Dewald, 2015).

Second, this study contributes to SE research by introducing entrepreneurs’ perspectives (Achtenhagen et al., 2010). Because the entrepreneurs are the key actors of SE in the small business context, their interpretations and experiences of the situations at hand are highly relevant. The entrepreneurs experience tensions between AS and OS activities and develop personal strategies to deal with these. The personal strategies reflect trust and distrust of other actors such as owners and top management. This study has incorporated entrepreneurs’ perspectives on tensions and trust and provides novel contributions to SE research by illustrating, for the first time, to my knowledge, how the entrepreneurs act in tension-laden situations (Ireland & Webb, 2007, 2009).

Third, this study explores a longitudinal perspective and contributes in the following way. The entrepreneurs are persistent in trying to combine and find a balance between AS and OS activities over time. This study supports the views of Luokkanen-Rabetino (2015), who found that SMEs emphasise exploitation and exploration over time. Further, in this study, the balance that the entrepreneurs try to achieve does not indicate a 50/50 balance between AS and OS activities, but it varies according to the entrepreneurs´ interpretation of the company´s situation. Therefore, the balance that they focus on can vary considerably. This resonates with the earlier research, as a 50/50 balance is ill-advised (Ireland & Webb, 2007). Furthermore, the balance striven for can be context-sensitive in such a way that if no major changes take place in the company environment, the type of balance which the entrepreneurs’ focus on might not change. This was indicated in my study through the financial difficulties in the Finnish economy, which lasted throughout the study period. In this way, my study emphasises the influence of
the economic environment on how SE is perceived and implemented. The dynamics of exploration and exploitation have been found to be time-specific, and the emphasis on each has been separated; thus, the ambidextrous behaviour was also evident (Luokkanen-Rabetino, 2015). These findings resonate with this study by emphasising that exploitation is only seen as a mechanism by which to secure the continuance of the business by not concentrating all resources on exploration.

To conclude, this study has incorporated the small business context, the entrepreneurs’ perspective and the longitudinal aspect of SE to explore how small businesses execute SE. The contributions of this study show that SE is actively implemented in small businesses over time, illustrating that SE is a continuous and dynamic process which is heavily influenced by the current situation of the business. Further, the entrepreneur is a key actor in implementing, combining and balancing both AS and OS activities, with a special emphasis on OS. Thus, the experiences and interpretations of the entrepreneur have an effect on the suitable combination and balance of these activities.

5.3 PRACTICAL IMPLICATIONS

The business environment is becoming even more hypercompetitive and is rapidly changing, both globally and locally (Ireland & Webb, 2009), where businesses are encouraged to pursue agility (Kraus et al., 2011) and to concentrate enough resources on both entrepreneurial and strategic activities (Hitt et al., 2011) — in other words, on the need to explore future business opportunities and exploit the existing resources to achieve a competitive advantage and value creation (Ireland & Webb, 2007). Equally critical is the balance of AS and OS activities (Ireland & Webb, 2009).

The balance of AS and OS is not easy to achieve (Ireland & Webb, 2007), although the critical factor of SE is the balance (Hitt et al., 2011). AS activities seek “stability and predictability”, and OS activities require “flexibility and novelty” (Hitt et al., 2011, p. 69). Thus, in organisational research, successful organisations are often depicted as ambidextrous (Gibson & Birkinshaw, 2004); further, these organisations meet the demands of today’s business but also adapt to changes to secure tomorrow’s business. Therefore, SE shares the same ambidextrous nature of balancing resources as both AS and OS activities, although entrepreneurs and managers who engage in ambidextrous activities are encouraged to manage AS and OS, or exploitation and exploration, and the resources involved in and between the existing and the new business (O’Reilly & Tushman, 2013). This study
offers some important suggestions for entrepreneurs and practitioners in the following way.

Through the results of this research, I would encourage small business entrepreneurs to acknowledge the possibilities of SE, especially the balance of exploiting the existing competitive advantages and exploring new business opportunities. Further, entrepreneurs are advised to understand that concentrating on both AS and OS activities is advantageous for value creation, especially if the motivation is to grow and develop the business; in addition, in small businesses, SE could be implemented sequentially.

This study offers some implications for universities and for the commercialisation of research and technology for all actors who are involved in business model design phases. When an RBSO or a start-up is in the phase of designing business models, SE would be an advisable perspective for this phase (Demit et al., 2015). As it integrates AS and OS activities, it would give the involved actors an analysis tool and a mechanism for designing and structuring the business models (Chesbrough, 2010; Clausen & Rasmussen, 2013). It would be advisable to use BMC in the business models design phase (see Osterwalder & Pigneur, 2010), as BMC forces the actors to manage an iterative process where they must compare the different business models and find the problems and possibilities of each model.

5.4 LIMITATIONS AND FURTHER RESEARCH

Research also balances theory, data, contributions and conclusions in justified reasoning and all in a coherent written story. But research has limitations, and this study also has them. First, the first, second and third articles are depicted as longitudinal (Eriksson & Kovalainen, 2015; Moroz & Hindle, 2012). The case companies were part of a two-year project, although the interviews were conducted during the six months from April 2012 to September 2012 (see Piispanen & Paloniemi, 2015; Paloniemi & Piispanen, 2015). The longitudinal aspect of this study does not represent interpretations, experiences and feelings in real time. As a researcher, I did not know exactly when a certain phenomenon was taking place in the case companies, such as when the entrepreneurs were thinking about and designing new business opportunities. Second, the interviews were only conducted with the entrepreneurs; therefore, we have no views and experiences from the top management and owners. In hindsight, I could have had access to these actors in order
to interview them, but at that time, I did not realise the potential of such inter-
views. Third, I held the position of a researcher, but at the same time, had a posi-
tion as a business developer. So why have I not reflected this dual position more
in this study? My position was strongly linked to research, and the main tasks
were connected to research. In addition, in the business developer position, I was
mainly part of the business analysis phases; therefore, I was not heavily involved
with the business development phases with outsider consultants.

Along this research journey, new ideas for further studies have emerged. SE
research is still quite young and is evolving; therefore, rigorous new empirical
research is needed for several topics (Demil et al., 2015; Hitt et al., 2011; Ketchen,
Ireland, & Webb, 2014; Kraus et al., 2011; Kyrgidou & Hughes, 2010; Schindehutte
& Morris, 2009). Small businesses would still provide interesting fields in which
to study SE in their operations. Methods for studying could include interviews
over a longer timeline or could include case studies (Yin, 2009, 2014), and even an
ethnographic study would be feasible (Eriksson & Kovalainen, 2015; Smets, Jar-
zabkowski, Burke, & Spee, 2015). It would also be beneficial to study SMEs from
different business industries and in different phases of their business. In addition,
further research in SE and business models (see Demil et al., 2015) is also needed,
especially to understand the dynamics of business models in RBSOs, in other
start-ups and in established companies and how SE can be used as a mechanism
to design business models (Osiyevskyy & Dewald, 2015). Further, more research
would help in understanding both the design and the implementation process of
business models. This could involve a study from the pre-start-up phase, as in the
fourth article of this study, or it could also involve the process where the first
business model has already been designed, thereafter watching how it evolves
over time and understanding how it connects to AS and OS activities.

Another interesting possibility for scholarly research would be the study of
opportunity and the elements linked to it. The entrepreneurship literature defines
opportunity as one of the core elements in entrepreneurship (Shane & Venkata-
raman, 2000). The logic of opportunity creation suggests questions to be answered.
First, if we have perceived something as an opportunity existing in reality, then
we need to be sure that we are able to look back in time and see it “there”. Second,
if the opportunity becomes obvious only at the same time as we see it but not
before, then how do we know where to look at in order to direct our intentional
activities for future value creation through entrepreneurship? The way to answer
questions concerning the origin of opportunity has remained unexplored in the
literature.
References


Research Articles

ARTICLE 1:
ACTIONS OF TWO ENTREPRENEURS IN GROWTH-ORIENTED BUSINESS DEVELOPMENT
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ARTICLE 2:
AN ALTERNATIVE CONSTRUCTION OF OPPORTUNITY-SEEKING ACTION FOR STRATEGIC ENTREPRENEURSHIP
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ARTICLE 3:
TENSIONS AND TRUST IN STRATEGIC ENTREPRENEURSHIP
Piispanen, V-V., & Eriksson, P. (Unpublished manuscript).

ARTICLE 4:
BUSINESS MODELS FOR RESEARCH-BASED SPIN-OFFS: THE STRATEGIC ENTREPRENEURSHIP PERSPECTIVE
Actions of Two Entrepreneurs in Growth-oriented Business Development

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Kaarlo J. Paloniemi²

Abstract
This article considers the balance between entrepreneurial and strategic actions in business development. Entrepreneurial action focuses on creating new business opportunities, and strategic action focuses on developing effective everyday business actions related to a firm’s existing business opportunity. The article employs a longitudinal multiple case study of business development of two growth-oriented Finnish information and communications technology (ICT) entrepreneurs from the perspective of strategic entrepreneurship (SE). Our findings show that when our case entrepreneurs focus more on emphasizing the effectiveness of existing business opportunity exploitation, they are more likely to follow this kind of logic in the context of an established firm but they are less likely to follow it in the context of a start-up. While it is difficult to specify the optimal mix, the balance between entrepreneurial and strategic actions, entrepreneurs need to devote enough energy to opportunity-seeking actions to ensure a firm’s future viability, and they must simultaneously engage in sufficient advantage-seeking actions to ensure the firm’s current viability.

Keywords
Strategic entrepreneurship, entrepreneur, balance, business development, start-up, established business

Introduction
It is important to understand how entrepreneurs execute actions for future business growth and profitability every day as they address the firm’s current business development (see Achtenhagen,

Disclaimer: The authors have developed this case for classroom discussion of programmes in management education and management development and for practicing executives to enhance the skills in decision making. It is not intended to illustrate either effective or ineffective handling of an administrative situation. It does not represent or endorse the views of the management about the issues in the case.

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The previous business development literature has focused on new markets, new products or both, through the acquisition, licensing, joint ventures, minority venture capital investments and internal development (Roberts & Berry, 1984). In this article, however, our aim is to follow the entrepreneurship literature and focus more specifically on internal development in order to understand how entrepreneurs manage their firms’ actual business development from the perspective of strategic entrepreneurship (SE).

We base our theoretical perspective on SE, because it integrates two separate perspectives, namely, entrepreneurship and strategic management, in order to study an entrepreneur’s real-life business development actions. This is because the key nature of SE is that it is concerned with both opportunity-seeking and advantage-seeking actions (Hitt, Ireland, Camp & Sexton, 2001; Hitt, Ireland, Sirmon & Trahms, 2011; Ireland, Hitt & Sirmon, 2003; Ireland & Webb, 2007, 2009; Luke, Kearins & Verreynne, 2011) (Figure 1). We believe that if entrepreneurs focus only on seeking new businesses but neglect efficient exploitation in a real-life business context, the opportunity is nothing more than empty promises for future growth and profitability. As Ireland et al. (2003, p. 983) stated: ‘Firms that identify potentially valuable opportunities but are unable to exploit them to develop a competitive advantage will not create value for their customers or wealth for their owners.’ Similarly, if entrepreneurs only focus on merely seeking efficient ways to run their businesses they fail to maintain sustainability. According to Ireland et al. (2003, p. 983), ‘Firms that build competitive advantages but lose their ability to identify valuable entrepreneurial opportunities are unlikely to sustain those advantages over time.’

We argue that there is a research gap in the SE literature concerning the topic of business development because few studies have examined the entrepreneur’s balanced actions, that is, both entrepreneurial actions and strategic actions. This is especially the case if the key actor in the situation defines itself as being growth oriented (see Wright & Stigliani, 2013). By utilizing SE as a theoretical lens, the balanced integration of the opportunity-seeking action (entrepreneurial) and the advance-seeking action (strategic management) (or both effectiveness and efficiency-oriented behaviours [Ireland & Webb, 2007]) provides for the possibility of elucidating the growth-oriented development from the everyday actor’s perspective (Achtenhagen et al., 2010; McKelvie & Wiklund, 2010; Steffens et al., 2009; Wright & Stigliani, 2013).

Figure 1. Conceptual Framework Based on Strategic Entrepreneurship: Entrepreneur’s Opportunity- and Advantage-seeking Actions

Source: Authors.
The core of SE is the creation of value through a balanced integration between opportunity-seeking and advantage-seeking actions (Ireland & Webb, 2007; Steffens et al., 2009). That is, due to the balanced actions (see YES–YES in Figure 1), growth-oriented entrepreneurs are able to exploit current business opportunities in the most effective ways and, simultaneously, they are able to create new business opportunities that are the most desirable and feasible for themselves and the existing firm. We believe that the balance of opportunity-seeking actions and advantage-seeking actions is different if we consider the firm’s situation. That is, in certain situations, an appropriate balance may be 20 per cent opportunity-seeking actions and 80 per cent advantage-seeking actions, while in another situation a more appropriate balance may be less than 10 per cent advantage-seeking actions and more than 90 per cent opportunity-seeking actions. Therefore, the allocation of resources and actions (entrepreneurial and/or strategic) for value creation is dependent on the current situation of the business.

Theoretical Background

Motivated by Hitt et al. (2011), we define entrepreneurship as the actions related to discovery or the creation of opportunities leading to enhanced value and wealth if effectively exploited through the firm’s competitive advantages; we define strategic management as the actions related to the development and successful exploitation of the competitive advantages. Thus, by definition, SE is greatly concerned with opportunity-seeking and advantage-seeking actions as well as competitive advantage and profitability. While this is partly in line with Venkataraman and Sarasvathy (2001, p. 651), who state that entrepreneurship and strategy are ‘two sides of the same coin’ linked conceptually together, we like to keep these both as independent entities.

Entrepreneurs can utilize opportunity-seeking and advantage-seeking actions in their overall business development process. We define SE as a balanced construct for facilitating the entrepreneur’s efforts to create opportunities with the highest potential for the value creation (Ireland & Webb, 2007) and to exploit them through measured strategic actions of the firm’s resource base (Ketchen, Ireland & Snow, 2007; Kyrgidou & Hughes, 2010). For example, in business development, SE is about simultaneously focusing on both kinds of actions in order to create the desired value for customers, for the society and for the business itself as well (see Steffens et al., 2009).

According to Ireland et al. (2003), if a firm wants to create a value for its customers as well as for itself, it is operating insufficiently if it creates opportunities but fails to profitably and sustainably exploit them. Regarding previous research, both entrepreneurial and strategic actions are at the core of a firm’s profitability and continuous development. However, what previous research has not been able to show clearly is how to successfully balance these two types of action. We believe that entrepreneurs, at least implicitly, seek a balance between their opportunity-seeking and advantage-seeking actions; some entrepreneurs do this more actively and consciously than others. Therefore, in the development process, entrepreneurs are acting with the means and capabilities they have to achieve both entrepreneurial and strategic actions. If they manage to execute their balanced actions in a way that is a good fit for the firm’s situation, they will benefit from those actions sufficiently and gain a competitive advantage. Thus, the priority in the business development on growth and profitability is that an entrepreneur needs to actively and consciously contemplate balancing those actions.

The balance between opportunity-seeking and advantage-seeking actions in SE is the key topic of this article. First, we need to understand this balance as a primary factor in system survival and prosperity (March, 1991); we also need to understand how that balance utilizes the firm’s scarce resources and competences. In order to define balance, we follow Ireland and Webb (2007, p. 49) by emphasizing
the actions ‘through which firms simultaneously exploit their current competitive advantages while exploring for future opportunities’. This does not mean that the balance consists of merely allocating resources evenly between the opportunity-seeking and advantage-seeking actions in the current and future development of the firm (see Ireland & Webb, 2007).

Case Study

Methods, Research Design and Data

In this study, we examined two firms operating in the high-technology industry. Due to our task of investigating real-life actions longitudinally, we applied a multiple case study method, as presented by Yin (2009), because of its appropriateness for the situation (Low & MacMillan, 1988). Together with our triangulated data collection, our longitudinal approach (three separate rounds of interviews) made it possible to identify the course of the entrepreneur’s actions throughout the process. Thus, we were interested in understanding the balance between strategic and entrepreneurial actions (Ireland & Webb, 2007, 2009). Due to this research objective, we needed to capture all of the actions entrepreneurs execute during the course of an ongoing growth-oriented business development process in the context of an information and communications technology (ICT) firm.

In all, we conducted a total of six semi-structured, open-ended interviews. Furthermore, to prevent the interviews from evolving into free-flowing discussions unrelated to the specific themes, we utilized a theme-structural design. We utilized both field notes (Eisenhardt, 1989; Van Maanen, 1988) and secondary data from informal conversations held during project meetings (SMEs—growth through innovations, GTI) to observe and analyze the entrepreneurs’ actions throughout the process. For example, IMP3rove analysis (European Commission, 2012) conducted in the GTI project gave us valuable information about the firms’ starting points. We also studied the technology these firms were using in order to gain insights and to improve our interpretation of the interviews. After the entrepreneurs had checked and accepted all of the recorded and transcribed interviews, we translated them into English. Furthermore, we also conducted data triangulation by crosschecking the interview data against the data from the secondary sources (Eisenhardt, 1989; Eriksson & Kovalainen, 2008). We have also included power quotes (Pratt, 2009) from the data to enrich the analysis and the findings.

Case Descriptions

Entrepreneur A works in a firm founded in 1979. That firm is a high-tech company in the ICT industry and it currently produces, markets and sells global system for mobile communications (GSM)-based control and alarm technology. Its products can help control and protect real estate and motor vehicles, but these products are also feasible for other industries. The firm’s key expertise is concentrated in wireless remote control and data transfer, as well as several applications in the networking business. The firm has developed its own products from start to finish. Since its founding, the firm has grown steadily and it has been profitable. In 2009, it reached a peak in turnover, personnel and the overall size of its business. Since then, major changes have happened in the business and many important customers were lost because of the economic downturn, aging technology and complications in sales and in the firm’s customer-oriented approach.
Entrepreneur B founded his firm in 2008 based on a patented innovation and one man’s business vision that had its roots in university research; he has a PhD in technology and is still a prominent researcher in the field. The firm is a high-tech company that operates in the ICT industry. Its main product is surveillance equipment with motion detector and figure recognition, and it makes use of wireless 3G and 4G. The novelty of the product is that it offers customers almost carefree, reliable and efficient all-weather devices, with extremely sharp images of the surveillance target in one package. Since Entrepreneur B has heavily invested his time and efforts into his firm’s R&D, he is able to manage the development process of key products from beginning to end. It is fair to say that the firm almost lives and dies with the inventor.

**Findings: The Balanced Actions**

We see that there is a need for a processual definition of entrepreneurial process that emphasizes the key role of the entrepreneur’s actions in the social, physical, technological, legal and financial environment and that opens up possibilities for understanding the entrepreneur’s approach to business development through entrepreneurship and strategic management actions. Understanding why an entrepreneur engages in some actions but not others and identifying what those actions are is related to the idea of balance between opportunity-seeking and advantage-seeking (exploration and exploitation in Ireland & Webb, 2007; Shirokova, Vega & Sokolova, 2013; Steffens et al., 2009; Venkataraman & Sarasvathy, 2001).

**Entrepreneur A’s Balanced Actions**

Our analysis of Entrepreneur A’s actions show how both opportunity-seeking and advantage-seeking actions are actualized in his growth-oriented business development process. We offer power quotes (Pratt, 2009) from the longitudinal data that show what the entrepreneur himself says (Achtenhagen et al., 2010) about what happened during the process. At the beginning of the process, Entrepreneur A felt uncertain about how to proceed with the business development process (opportunity-seeking action). After becoming aware of the current economic situation of the firm, he started to explore various solutions for the problem by asking: How could the firm do business more efficiently (advantage-seeking action)? The answer Entrepreneur A identified was that while it is difficult to reach business-growth objectives merely through cost reduction, cost efficiency could provide the means for future growth. Entrepreneur A commented on the issue as follows: ‘It would be really important to get the much needed profitable months, so it would then be a signal to the owners and the board that the ship has turned.’

Thus, by acknowledging the firm’s unsatisfactory financial situation, Entrepreneur A deliberately focused on solving the undesirable competitive situation (opportunity-seeking action). Because the firm’s product assortment was too complex and various, he realized that the company’s competitive situation had changed drastically (advantage-seeking action).

Entrepreneur A commented on this change as follows: ‘Five to six years ago, we still had some okay stuff, but now there are a lot of similar products with much a lower price, and our competitive advantages have really started to decrease.’

Since the firm’s existing routines did not offer clear answers for solving this problem, he started to work to create new routines and business actions (opportunity-seeking action). After figuring out the possible ways to relocate the firm in the food chain, this entrepreneur, together with the staff members
and owners, recreated the firm’s business (advantage-seeking action). Entrepreneur A explained the situation as follows:

We should be higher up there [the food chain] and we should be able to provide the overall system for customers. It would require quite a lot of muscles, [and] I think that we should be at least a national-level player; [however], it would require a really big effort and a lot of money to run that kind of business model.

To improve the efficiency and internal processes of the company, the board decided to use different tools to follow-up on sales and reporting (advantage-seeking action). Entrepreneur A felt that the decision was right, as shown in the following comment: ‘It is something that we all feel good about, it helps us in sales, the follow-up in sales have increased a lot. It really helps us to organize resources.’

Entrepreneur A implemented the internal efficiency measures to control the firm’s customer visit reports (advantage-seeking action) and, as the following comment shows, that action has helped: ‘The reports must be now three months [time period]...in a way it was an eye opener, the need to think about a shorter time period than the year.’

This kind of short-term strategy supports making critical business functions visible (advantage-seeking action). Entrepreneur A felt overwhelmed by the work but, as the comment below shows, the required course of action was quite clear:

Why do some sales channels work and others not? At the moment, it is difficult to say anything in precise numerical figures and facts, what is profitable and what is not, though there is a cost structure for everything, but so many things should be registered that we could get some kind of picture about what is happening in financials.

By improving and increasing direct customer contacts, the firm has enhanced its cooperation with clients. Because of these actions, even minor changes and additions to the current products meet the customers’ needs better (advantage-seeking action). Entrepreneur A described this as follows: ‘Some needs that our customers have...we see that [we can implement them] very easily in our products, with just minor programming changes or additions.’

With regard to staff responsibilities, Entrepreneur A managed to commit every single member of the staff to the idea that they play a significant role in the future success of the firm (advantage-seeking action). This is demonstrated in the following statement from Entrepreneur A:

Staff responsibilities: they are divided in such a way that while everyone has a tiny bit of their own areas of responsibility, at the same time, everyone’s duty is to tell others how their issues progress and at what stage they are.

In all, according to our understanding, our data analysis shows how the balance is actualized between opportunity-seeking actions and advantage-seeking actions and how it occurs both simultaneously and separately. Our results indicate that, rather than focusing on opportunity-seeking actions, most of the actions Entrepreneur A executed focused on advantage-seeking actions. In this case, the 20/80 balance was feasible to use in the current business development process because of the situation the firm and the entrepreneur encountered: declining revenue stream for several years, outdated technology, scattered product assortment, staff reduction and weak competitive position. This means that the firm lacked the necessary resources for future business growth. However, based on the evident opportunity-seeking attitude of the firm’s staff members, Entrepreneur A was convinced that after they managed to increase the firm’s profitability they would be capable of continuing the process of indirect orientation towards business growth.
Entrepreneur B’s Balanced Actions

Our analysis of Entrepreneur B’s actions shows how both opportunity-seeking and advantage-seeking actions were actualized in his growth-oriented business development process. At the beginning of the process, and immediately after the release of the first product, Entrepreneur B and the chair of the board began to think about the business renewal (opportunity-seeking action). This is how Entrepreneur B described it:

Almost immediately, I began to think about a new [business] model because I noticed that there is a problem. I found out the sales problems, and then I saw the production problems in a concrete way. I have seen that this is a pretty painful job to do, running behind all the time.

After outlining the potential new business (opportunity-seeking action), Entrepreneur B focused on building a new strategy for future business growth (advantage-seeking action) and outlining the necessary business functions required to implement the new strategy (opportunity-seeking action). Entrepreneur B explained the new strategy as follows:

In fact, I had the feeling that the employees were quite numb to the older strategy. The older strategy was one and the same all the time, so this, in fact, felt a lot more interesting. The new strategy has three different business models.

Entrepreneur B believed that the plan of the new growth-oriented strategy was shared with the other owners of the firm (opportunity-seeking action). After realizing that his belief was mistaken, Entrepreneur B pivoted instantly to designing his own business as a new start-up (opportunity-seeking action). Entrepreneur B believed that, based on the patents he owned, he could successfully create both a new business plan with a growth-oriented business design and an initial road map for the start-up. Entrepreneur B stressed the importance of the new business plan:

[The new business plan is] still in my head, the plan will be made when investors say the final word and the signatures are on the papers. This is the most important thing at the moment and actually has been all the time, there is no other way. This is 100 per cent.

In all, according to our understanding, it is pleasantly surprising that the original firm was divided into two entities in the middle of the longitudinal case study. In this situation, the Entrepreneur B had to make a decision about whether to stay with the old firm or to go for the new start-up. The decision Entrepreneur B made was inevitable and, overall, quite easy. The entrepreneur held the rights to the patents and he had a vision of the new start-up. Entrepreneur B focused significantly on opportunity-seeking actions instead of advantage-seeking actions. Although the entrepreneur had the strategic advantage of the patents, his entrepreneurial attitude for future growth and his decision to move forward with the start-up resulted in an 80/20 balance between his opportunity- and advantage-seeking actions, whereas that balance was 20/80 in our Entrepreneur A case.

Discussion and Conclusions

The purpose of this research was to examine the balance between the core elements of SE: entrepreneurial actions (opportunity seeking) and strategic actions (advantage seeking) (Hitt et al., 2011;
Ireland et al., 2003; Ketchen et al., 2007; Kyrgidou & Hughes, 2010; Luke et al., 2011). Both elements have their own characteristics, dimensions and theoretical background, and both have strong empirical evidence from the literature on entrepreneurship and strategic management. Our motivation behind this research was to study the occurrence of SE from the entrepreneur’s perspective of growth-oriented business development processes. We agreed with Ireland et al. (2003) on the idea that firms achieve their competitive advantage through the integration of both opportunity-seeking and advantage-seeking actions, that is, through SE. We also agreed with Hitt et al. (2011) that SE exploits existing competitive advantages and, at the same time, explores new opportunities.

Thus, a feasible balance between strategy and entrepreneurship actions is something every entrepreneur should try to weigh. In this study, both firms chose different ways to execute their business development process. In the case of the development process of firm A, Entrepreneur A principally operated strategically and concentrated on increasing the firm’s efficiency and profitability. This finding is in line with Ireland et al. (2003) who argued that more established organizations operate strategically when entrepreneurial actions are not the focus. However, Entrepreneur A identified an opportunity for growth based on the basic structure available and on the available resource allocations for achieving growth in the near future.

Despite the fact that Entrepreneur B operated mainly entrepreneurially and focused on developing the existing business by modifying its structures, he continued opportunity-seeking actions even when he had to move on from the existing business to start up a new business. The actions and operations of Entrepreneur B were highly entrepreneurial, that is, he built the firm on a patented innovation, identified opportunities in the markets and took advantage of the opportunity to create a new business.

The main results of this study are that both entrepreneurs tried to balance both opportunity- and advantage-seeking actions to gain a competitive advantage and to explore new opportunities. The balance of opportunity-seeking and advantage-seeking actions is hard to achieve, consciously or unconsciously, in the growth-oriented development process because of limited resources (Hitt et al., 2011) and the insuperable difficulties of trying to achieve growth, profitability, efficiency and survival, simultaneously (Delmar, McKelvie & Wennberg, 2013).

As Hitt et al. (2011, p. 70) argued, an organization needs a ‘structure capable of supporting the twin needs of exploration and exploitation’. While firm A, as stated above, is an established firm with a well-structured organization, it still lacks an efficient management and leadership structure mainly because of the ongoing efficiency plan that is affecting everyone in the firm. Employee layoffs and other difficult but necessary decisions have had an effect on the firm’s employees. It is still fair to say that the employees, surprisingly, evinced an entrepreneurial attitude about survival—for example, seeking out new opportunities with the existing technology and, more specifically, thinking about how things could be better—even with respect to the less important issues within the whole supply chain. Their actions are somewhat unselfish and they all have the same goal: to survive as a firm.

We contribute to the research on SE, and especially to its core, by addressing the balance between the opportunity-seeking and advantage-seeking actions (Hitt et al., 2011). Our results offer insights into how this balance occurs in the growth-oriented business development process. We also provide insights on how our case companies are trying to achieve growth (McKelvie & Wiklund, 2010). Our findings indicate that entrepreneurs should not concentrate only on either opportunity-seeking or advantage-seeking actions; rather, they should try to balance these actions and allocate the firm’s resources (i.e. human, financial, social and technological resources; see, e.g. Clarysse, Bruneel & Wright, 2011). To gain the best outcome for the business, entrepreneurs should consider allocating resources for their firms’ current business situations. This means that the balance of opportunity-seeking and advantage-seeking actions is not 50/50. As our case findings suggest, the balance is dependent on the business situation. In certain situations, like the case of Entrepreneur A, advantage-seeking actions are the focus and seeking out
new opportunities is not something to allocate resources for. Therefore, because the balance could be 20/80, or even 10/90, it is difficult to know whether it is better for a firm to act efficiently or seek new opportunities, or to do both simultaneously.

References


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An alternative construction of opportunity-seeking action for strategic entrepreneurship

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Abstract: This article considers how entrepreneurs utilise strategic entrepreneurship, or strategic and entrepreneurial actions, in business development. The domination of strategic management as advantage-seeking activity is widely accepted as an accurate perspective to the business development in the context of established firms. Our focus, however, is on entrepreneurship and the constructs of opportunity that drive opportunity-seeking actions in strategic entrepreneurship. In the context of SME, both start-up and established business, we conduct a longitudinal multiple-case study of the growth-oriented business development process of two Finnish ICT entrepreneurs. Our findings indicate that, if we look at opportunity through alternative theoretical perspectives rather than utilising opportunity based on the dominant entrepreneurship literature definition, we will open up new avenues for opportunity’s role in growth-oriented business development. According to our findings, the firm context affects the way entrepreneurs utilise opportunity-seeking actions.

Keywords: opportunity; entrepreneurial process; entrepreneur; environment; critical realism; nominalism; structuration; strategic entrepreneurship; entrepreneurship; business development; SME.


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This paper is a revised and expanded version of a paper entitled ‘Rewriting the construct of opportunity in opportunity-seeking in growth-oriented business development’ presented at the International Conference on Management Cases, Greater Noida, India, 4–5 December 2014.

1 Introduction

Strategic entrepreneurship (SE) as an integration between strategic management and entrepreneurship, defined as advantage-seeking and opportunity-seeking action (Hitt et al., 2011; Ireland et al., 2003; Ireland and Webb, 2007, 2009), we believe, is of importance in understanding business development more thoroughly. That is, to create new (or different) value through development is fundamental to the balance between advantage-seeking (efficiency) and opportunity-seeking (creation of new opportunities) actions to gain the best future results for the existing business or start-up. However, seeking a 50/50 balance between advantage-seeking and opportunity-seeking actions is disadvantageous (see Ireland and Webb, 2007), because of both market-based and firm-based factors (Ireland and Webb, 2009), which affect the appropriate balance.

The previous business development literature has focused on both technological and market knowledge, new markets, new products, or both through acquisition, licensing, joint ventures, minority venture capital investments and internal development (Burgers et al., 2008). We acknowledge that the dominant definition of entrepreneurship in SE (Ireland et al., 2003) focused on resource-based theory neglects the role of the entrepreneur’s actions in creating new opportunities for a firm’s future performance. Some scholars, however, see that entrepreneurship – and opportunity – focuses on generating wealth (Davidsson, 2003), value (Ardichvili et al., 2003), goods and services (Gaglio, 2004), means-ends relationships (Shane, 2003), business ventures (Bhave, 1994) or new markets (Sarasvathy, 2001).

In recent entrepreneurship literature, scholars claim that the concept or construct of opportunity lacks construct clarity owing to its vague definition (see Sudbury, 2010). This unfortunate situation relates to “problems with inherent favourability, and (resulting) problems of non-testability of theoretical propositions relying on current conceptualisations” [Davidsson and Tonelli, (2013), p.3]. Gartner (2014, p.27), for example, claims that the scientific methods of discovery may implicitly nudge scholars “towards a more deterministic view of entrepreneurial phenomenon than is actually experienced by the individuals who are engaged in it”. In addition, the dominant definition of opportunity mistakenly conflates “reference to a specific social context (a socially real object) with an agential belief about that context (an ideally real object)” [Kitching and Rouse, (2014), p.7]. Similarly, the discovery view of opportunity is incomplete because it does not deliver on the promise of being a general theory of entrepreneurship, and it is “severely limited in its ability to yield sufficiently complex and nuanced descriptions of entrepreneurial processes” [Korsgaard, (2013), p.136]. Thus, the discovery view is overlooking the social and relational aspects of the entrepreneurial
process. Furthermore, most of the above-mentioned scholars treat opportunities not as pre-determined but rather as outcomes of a socially constructed iterative enactment process (Alvarez et al., 2015). In this process, both entrepreneurs and other actors operate in keen interaction under conditions characterised by uncertainty rather than by more or less predictable reality.

The line of thought presented above will give us space to introduce three alternative theoretical perspectives: critical realism (e.g., Fleetwood, 2005), nominalism (Korsgaard and Neergaard, 2010) and structuration (Sarason et al., 2006), and to understand entrepreneur’s actions in opportunity development. These alternative perspectives offer possibilities to move from mere description of the entrepreneurial process towards a more explicit theoretical knowledge. That is, these perspectives extend our knowledge beyond the two extreme perspectives in the dominant literature on the entrepreneurial process, i.e., opportunity discovery and opportunity creation (e.g., Alvarez and Barney, 2007). We will build our case of growth-oriented business development by focusing more specifically on the entrepreneur’s actions in internal business development to understand the role of entrepreneurial actions in the process. For that purpose, our focus is on entrepreneurs’ opportunity-seeking actions, i.e., entrepreneurship that is one of the two integrated entities of SE.

In the article, we believe that, rather than viewing the nature of the opportunity from one perspective that assumes it is a more or less ready-to-be-picked entity, the SE literature will benefit from studying opportunity-seeking action from alternative perspectives such as critical realism, nominalism and structuralism. We believe that the entrepreneur creates all kinds of opportunities because alternative perspectives not only define social reality as existing independently but also people as being in an active position to deal with social reality. This means that, rather than accepting opportunities as existing as real entities, we believe there are no business opportunities outside the human imagination. However, while there are only physical things such as a stone, a green leaf or human artefacts such as documented ideas for future business, business models (BMs) and business plans (BPs) exist as directly experienced entities, they are still socially real. Conceptual ideas, models, plans and the like manifest themselves in certain outcomes of human actions. Thus, business opportunity is a phenomenon that exists in practice and through indirectly perceivable effects.

2 Literature review

2.1 Alternative theoretical perspectives to understand opportunity in opportunity-seeking action

The alternative perspectives such as critical realism, nominalism and structuration offer possibilities to move from mere description of the opportunity in the entrepreneurial process towards a more explicit theoretical knowledge. Both structurationists and critical realists deny that there is no distinction between the two theories of opportunity, i.e., discovery theory and creation theory: an entrepreneur creates all opportunities. Structuration theory (Giddens, 1984) and critical realism (Bhaskar, 1998) state that people do not only overcome this kind of a dichotomy by defining social reality as existing (the positivist ontological positioning), but that they also are in an active position to deal with social reality because it consists of both enablers and constraints. Critical
realists follow realism by defining material, ideal, artefactual and social reality as real (Fleetwood, 2005). That is, particular social structures as well as various social, economic, legal and societal mechanisms actually precede current human activities. At the same time, however, people possess the power to either reproduce or transform (Archer, 1998; Giddens, 1984) those preceding structures.

To think of the nature of opportunity through the lens of nominalism (e.g., Rodriguez-Pereyra, 2002), we may extend our understanding by defining the problem between universals and particulars, i.e., between abstract objects and concrete entities, respectively. For example, nominalists claim that there are no universals outside the human imagination. We believe that because only the documented presentations of ideas for future business, BMs or BPs exist in reality as directly observable entities. Thus, opportunities are only indirectly observable.

Rather than accepting opportunities as either entities independent of individual activities or as dependent on individual activities [discovery theory vs. creation theory, respectively, in Alvarez and Barney (2007)], the critical realists’ claim is in line with Easton (2010, p.122) who states: “Critical realists construe rather than construct the world”. This means that rather than thinking according to radical social constructionism (Berger and Luckmann, 1967) in that the real world is the creation of human brains (see Kwan and Tsang, 2001) all our alternatives accept that ‘there is a real world out there’ [Easton, (2010), p.119]. For nominalists, opportunities are always only imprecisely defined, non-stable phenomena that exist only in practice. Thus, based on nominalism, opportunity is only the name of both timely-spatially and socially constructed practices (see Korsgaard and Neergaard, 2010).

On one hand, opportunity refers to socially and intersubjectively created constructs like abstract objects (universalities). On the other hand, human artefacts like formally documented ideas, models and plans that we can treat as sub-outcomes of the creation process of the opportunity refer to concrete entities (particulars). The real world consists of something that is materially, ideally, artefactually or socially real (Fleetwood, 2005). Our alternatives indicate that entrepreneurs need to make opportunities visible because they are invisible by their nature and only indirectly perceived through their effects. Then, it will be clear that it is impossible to see opportunities as preceding actions in the entrepreneurial process.

2.2 Reviewing the extended Gartnerian framework through three alternative perspectives

To find a feasible reference point to study differences and similarities between alternative and dominant perspectives related to the entrepreneurial process and business opportunity. We chose the harmonised conceptual model of entrepreneurial process (MEP) (Hindle, 2010) based on the 32 extant models as a suitable candidate because it acknowledges both of the dominant perspectives on the entrepreneurial process and tackles both the problems and promises of the previous models. We put the extended Gartner (1985) framework (entrepreneur, environment, entrepreneurial process and opportunity) against three alternatives (critical realism, nominalism and structuration) to weigh their effect on opportunity as the key construct of entrepreneurial process.
2.2.1 Entrepreneur

Like MEP, all alternative perspectives accept ‘entrepreneur’ as a key actor in the entrepreneurial process. However, do we perceive only their actions and the outcomes of those actions? Or, is it possible to perceive an ‘entrepreneur’ at all? If our answer is affirmative only to the former, then we may understand the nature of the entrepreneur as an indirectly observable artefact. That is, if the entrepreneur exists in the minds of human beings as a construct we can also define the construct of the entrepreneur as an individual in the position (or role) of entrepreneur.

According to critical realists and structurationists, people in the position of the entrepreneur possess both power and willingness to influence their physical and social reality through current actions. This means that society does not exist independently of human activity but rather as ‘an ensemble of structures, practices and conventions which individuals reproduce or transforms, but which would not exist unless they did so’ [Bhaskar, (1998), p.39; see Archer, 1998].

2.2.2 Environment

Like MEP, alternative perspectives accept an existing reality, however, a question of ‘what kind of a role does the environment have in the process’ remains unresolved in the dominant literature. We acknowledge that according to critical realists, objects in reality consist of material, ideal, artefactual and social reality. Entrepreneurs create new opportunities from a pre-existing stock of conceptual resources (Fleetwood, 2005). At the same time, they see the environment itself as changeable. Structuralists state that, while material reality exists, the entrepreneur’s world (ideal, artefactual and social reality) is socially constructed. Nominalists state that opportunities exist only in human imagination because they only exist through observable practices.

What can we do if no opportunity exists? We believe that by treating an environment both as a repository of inputs and as sources for a process where people create new opportunities in social interaction, we are able to open up avenues for rethinking and rewriting the concept of opportunity as an outcome of the entrepreneurial process.

2.2.3 Entrepreneurial process

The alternative perspectives share with the MEP some of the characteristics of the entrepreneurial process: generic, contextual and discovery-focused, and iterative. They see it, however, as a collection of nonlinear, timely and spatially characterised situations that happen in relation with enablers and constraints of reality, and with more or less novel and feasible actions that people execute in the position of entrepreneur. The key difference is that they see the entrepreneurial process as actions where opportunity is an outcome. We believe MEP, structurationists and nominalists fail to show what the specific actions of entrepreneurial process actually include. We believe critical realism is able to show in detail what entrepreneurs do during the process as well as how the opportunity creation process relates to the reality in which it emerges.
2.2.4 Opportunity

Structurationists agree with MEP by arguing that opportunities exist prior to the entrepreneurial process because everyone’s view of reality has its basis in idiosyncratic interpretations. In contrast, looking at opportunity from a critical realist perspective partly follows nominalism in assuming that opportunity is a socially constructed entity. This entity is perceivable only through effects of powers, structures and mechanisms existing at the real level of social reality [see: real, actual and empirical in Fleetwood (2005)]. People may (or may not) perceive at the empirical level of social reality the effects of activities and processes conducted at the actual level. Therefore, if we define business opportunity as a social construction perceivable only through its observable effects, then it is important to know the actions and processes that are producing the effects. That is, to see opportunity as a construct is to see it as observable only through its effects.

We believe that nominalists and MEP fail in describing how opportunities emerge – gradually or otherwise – from existing and observable sources. From a critical realist perspective, opportunity emerges through a more or less creative process that starts with what people in the position of entrepreneur perceive in close relationships with others in the natural, social, political and technological environment. The business opportunity creation (BOC) (Paloniemi and Belt, forthcoming) process continues by exploiting these sources to create a desirable idea for a potential future business venture through recursive, iterative, nonlinear and creative sub-processes of ideating, modelling and planning.

3 Case study: entrepreneur’s opportunity-seeking actions

3.1 Theoretical framework of opportunity-seeking action

To study entrepreneurs’ opportunity-seeking actions in two business development processes of growth-oriented Finnish SME entrepreneurs in the context of ICT industry, we found that the dominant framework (Ireland et al., 2003) tends to overlook the nature of opportunity and its effects on people’s actions in the entrepreneurial process. We also found that other scholars in SE face the same kind of problem (Luke et al., 2011).

We focus on how to utilise existing resources and other sources to change one’s current situation for creating wealth or value through new organisational and other economical configurations. Therefore, we take a step further and apply the result of the above reviewed literature. We believe that the critical realist perspective is a suitable candidate for studying entrepreneurs’ opportunity-seeking actions in the growth-oriented business development process.

We follow the critical realist perspective in defining reality as reproduced and/or transformed by human beings, entrepreneurs in this case. The process itself consists of directly perceived (or even measured) sub-processes and sub-outcomes labelled concept of idea for future business (IforFB), concept of BM and concept of BP (Paloniemi and Belt, forthcoming). The model indicates the nonlinear and recursive nature of the BOC process. During the process, entrepreneur may abandon the outcome of the sub-process of IforFB (including customers, consideration, connection and commitment; Gartner and Bellamy, 2010) if it is not desirable enough. In an opposite case, the entrepreneur will move on and start considering various BMs (e.g., Osterwalder et al., 2005) that the
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entrepreneur sees as exploitable in the situation and recognises as potential, feasible and desirable for him, various stakeholders, customers and society. After the entrepreneur manages to create a suitable BM, the process may continue with more or less creative creation of an implementation plan, that is, the BP. We believe that the observability of every documented outcome of the three sub-processes is important for entrepreneur who likes to evaluate the potentiality of those sub-outcomes, for example, to understand whether the elements of opportunity are congruent with each other or not (Figure 1).

Figure 1 From construct of opportunity to concept of opportunity-seeking actions (see online version for colours)

Our decision to focus on opportunity-seeking actions from both the SE and the critical realist perspectives has the following consequences for the multiple case study method (Yin, 2009). First, if our case study entrepreneur spoke about issues that are unrelated to IforFB, BM or BP, we excluded that narrative from our analysis (Yin, 2009). Second, if the entrepreneur talked about issues related to creation of ideas for future business, BM, BP, or all of those issues, we analysed it as opportunity-seeking action. Third, if the entrepreneur discussed executing the IforFB, BM, or BP in real-life business, we excluded it from our analysis despite the fact that those actions may be a kind of lean start-up action that are of importance for the business venture development. Finally, if the entrepreneur spoke about moving ‘back and forth’ in the BOC process, we analysed it as opportunity-seeking action.

3.1.1 Case backgrounds

We employed an intensive longitudinal multiple-case study (Yin, 2009) to study two growth-oriented business development processes of Finnish entrepreneurs in SME and ICT contexts from the perspective of opportunity-seeking action. Both of them self-reported as growth-oriented. The firm of entrepreneur A founded in 1979 produces
GSM-based control and alarm technology-based products. While, the firm struggles with declining sales and profitability until now, however, there have only been small changes in their products portfolio and in R&D. The firm of entrepreneur B founded in 2008 produces surveillance equipment with motion detectors and figure recognition that makes use of wireless 3G and 4G. The firm has not yet generated great turnover, owing to technology development issues with the key product.

3.1.2 Entrepreneurs’ opportunity-seeking actions in growth-oriented business development process

As mentioned above, we selected our two case study entrepreneurs and their growth-oriented business development processes based on theoretical sampling. We built our analysis criteria for opportunity-seeking actions from the model of the BOC process. We defined the starting condition of both of our growth-oriented business development processes during the first interviews in April 2012. Our semi-structured interviews, based on entrepreneurs’ retrospective reflections and think-aloud task (Sarasvathy, 2001) about expectations of future actions, consisted of opportunity-seeking issues related to the expected actions, expectations and informal thoughts or plans they wanted to execute. The second round of interviews we conducted within two months focused on discussing all the actualisations the entrepreneur had conducted after the first interview. The final round of interviews, conducted in September 2012, focused on the ways entrepreneurs had experienced their growth-oriented business development process and their own actions during the process.

Our data analysis consisted of both the primary and additional data, such as case-by-case data reduction and systematic coding (Miles and Hubermann, 1994), to visualise the opportunity-seeking actions entrepreneurs undertook in their development processes. In addition, we organised opportunity-seeking actions in chronological order (see Pettigrew, 1997) by using tables and power-quotations (omitted from this paper) to identify the patterns under the topics of SE (opportunity-seeking actions) in the context of growth-oriented business development processes.

3.1.3 Case study findings: entrepreneur A’s opportunity-seeking actions for the existing firm

Entrepreneur A understands clearly that in order to grow, the firm needs to stop losing money first. To become profitable, then, the involvement of every member of the staff and owners is necessary. Staff members seem to understand how their actions affect the firm’s performance and the level of success this business development process will reach. Therefore, in a sense, everyone is thinking of what is best for the firm and working towards it unselfishly.

Entrepreneur A recognises that because the firm has faced serious financial problems, there is limited room for manoeuvres in initiating new businesses, in developing new products, in marketing initiatives or in every other function of the business. Therefore, the firm should be able to serve all customers well, since each existing regular customer is a potential major customer. Despite the fact that there have been major changes over the past few years, staff members feel that the board has failed to present something like an explicit BP update or the like. Instead of looking for new opportunities, all decision makers in firm A see cost-effectiveness as the only feasible choice for reaching the
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accepted profitability level. In all, the firm’s key focus is on finding and implementing cost reduction and austerity measures to become profitable first, and then to grow.

3.1.4 Case study findings: entrepreneur B’s opportunity-seeking actions for the existing firm

Entrepreneur B’s opportunity-seeking actions started with re-thinking the existing ways the firm executes its business and to create a reformed BM. This model includes three business units based on the same technological platform and technology but with a different revenue model. Entrepreneur B had received promising feedback from two potential customers. When entrepreneur B realised, however, that other owners do not share his insight about the new roadmap for growth, he decided to sell his share of the business he had founded but not the IPRs he thought of as key assets for the potential future business. In all, entrepreneur B started a new process such as the BOC process, that is, from ideating future business to modelling new BM to making a new BP, recursively and creatively.

3.1.5 Case study findings: entrepreneur B’s opportunity-seeking actions in new start-up

Due to actions already taken in the previous firm, entrepreneur B is capable to start up the new business actions whenever he wants. All the opportunity-seeking actions he executes are as follows: pivoting, designing the business and finalising the BP. In every action, entrepreneur B’s focus is on immediate growth. In all, opportunity-seeking actions are concentrated more on immediately creating a growth-oriented business opportunity with a proper BM and with a feasible BP. Entrepreneur B’s growth-oriented attitude seems to influence all these activities.

4 Discussion and conclusions

We employed both a group of three alternative perspectives (critical realism, nominalism and structuration) and Gartnerian framework as our theoretical perspectives to rewrite the construction of opportunity in the context of SE. Our findings offer new ways to understand the nature of entrepreneurship and its key elements: entrepreneur, environment, entrepreneurial process and opportunity.

We believe that through alternative perspectives, we are able to define opportunity not as the starting point of the process but as the outcome of the entrepreneurial process. First, environment consists of an infinite amount of sources people may utilise in creating opportunities. Second, entrepreneurs are people in positions where they actively cooperate with the environment in continuous creation (and re-creation) of opportunities. Third, the entrepreneurial process bases on everyday experiences may or may not lead to a decision to start the process. Finally, the opportunity itself is an imaginary description (or a construct) of the potential future business that is directly observable only through its precursors, i.e., outcomes of actions of sub-processes.

We continued by questioning the feasibility of the definition of entrepreneurship of SE. Our findings indicate that the business opportunity creating process, like all the other alternative perspectives on the entrepreneurial process, is well suited for studying
entrepreneurs’ opportunity-seeking actions in SE. Results of our multiple-case study show that the situation where entrepreneurs operate affects the course of actions of growth-oriented business development. In case A, the course of the entrepreneur’s actions focused on building a firm basis for growth in the future. In case B, in contrast, the course of the entrepreneur’s actions focused on building actions for immediate growth. These findings indicate that the balance of opportunity-seeking actions and advantage-seeking actions is different if we consider firms’ situation. That is, in certain situations, an appropriate balance may be 20% opportunity-seeking activities and 80% advantage-seeking actions, while in other situation; a more appropriate balance may be less than 10% advantage-seeking actions and more than 90% opportunity-seeking actions. The allocation of resources and actions (strategic and/or entrepreneurial) for value creation is therefore dependent on the current situation of the business.

The construct of opportunity forms the basis for the entrepreneurship part of SE, or the opportunity-seeking action. Yet, if we are willing to admit that entrepreneurship is at a relative early phase in conceptualising opportunity-seeking action then it is imperative that we remain open to seeing opportunity through the alternative theoretical perspectives. We argue that the rewritten construct of opportunity as opportunity-seeking actions, especially in growth-oriented business development, is a valid and much needed upgrade for SE research. We hope that this article will stimulate further interest in this area.

References


This dissertation focuses on strategic entrepreneurship in the small business context. It particularly examines how advantage-seeking and opportunity-seeking, the two dimensions of strategic entrepreneurship, may be combined in growth-oriented small businesses and in the business models of start-up companies. This dissertation brings an entrepreneur’s perspective and a longitudinal aspect into strategic entrepreneurship and presents how it can be executed in small businesses.