THE CONVERGENCE OF GOOD IDEAS:
HOW DO SERIAL ENTREPRENEURS
RECOGNIZE INNOVATIVE BUSINESS
IDEAS?

by

A. J. De Koning*
and
D. F. Muzyka**

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* PhD Candidate, at INSEAD, Boulevard de Constance, Fontainebleau 77305 Cedex, France.

** IAF Professor of Entrepreneurship and Associate Dean for the MBA programme, at INSEAD, Boulevard de Constance, Fontainebleau 77305 Cedex, France.

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Alice J. de Koning, INSEAD
Daniel F. Muzyka, INSEAD

ABSTRACT

We report on the findings of the first phase of a research program investigating the idea convergence process which results in new venture opportunities. In this phase we interviewed 10 successful habitual or serial entrepreneurs. Some results replicated earlier studies, especially motivations and psychological traits, some added a new insight and depth to previous results, and some introduced new issues into our research agenda. The final section begins to develop a theoretical discussion on four issues: opportunity as a subjective reality, how partnerships and 'know-who' contribute, the counter-intuitive or contrarian thinking style, and opportunism as a path dependent process.

INTRODUCTION

Many managers and would-be entrepreneurs expect innovative business ideas to appear almost magically or in extreme cases, as a result of some methodical process. They hope for the great entrepreneurial idea of their career, but seem to be caught in an endless process of waiting and frequent indecision.

By contrast, some managers and entrepreneurs appear to be exceptionally good at recognizing a good business opportunity, and this is reflected in their track record of creating new businesses and successful ventures within their companies. Entrepreneurs who have a string or series of successful ventures and whose ability to recognise opportunity could be seen as well honed, are of particular interest. These "habitual" or "serial" entrepreneurs represent a good population in which to study this ability to recognize opportunity (MacMillan, 1986).

In this paper, we report on the first stage of our research program, which examines the serial entrepreneur's ability to recognise and develop a good product-market idea, responding to Vesper's (1991) call for research into idea discovery as a process. We
believe it is essential to understand 'best practice', as a first step of a larger research program to help managers (and owner managers) become more entrepreneurial. Using clinical research methods to discuss this particular skill with successful 'serial entrepreneurs', we hope to clarify how good opportunities are consistently recognised. In the next phase of our research, we will test and further develop this process model through the application of more structured methodologies.

This paper is organised as follows. The first section summarises the nature of the research programme, with special attention to describing the serial entrepreneurs we have interviewed so far. The second section summarises our initial observations regarding how serial entrepreneurs find, create or recognise opportunities. These observations do not represent an attempt to create a final cohesive picture of the phenomenon, but simply provides an overview of our results. The third and concluding section may be regarded as the theory-building platform for our emerging research program in opportunity creation or recognition.

RESEARCH METHODOLOGY

To understand better the process of the identification and formation of new business opportunities, we chose to interview serial entrepreneurs. Because of the potential liabilities of experience (Starr and Bygrave, 1991), we choose serial entrepreneurs that have a track record of successfully creating and/or resurrecting and redirecting businesses based on a clear perception of opportunity. Their repeated positive financial performance of the businesses suggests that their ability to pick good opportunities is not simply due to luck.

The research questions driving this process were simple:

- How do serial entrepreneurs persistently identify or perceive the existence of successful business opportunities?

- Are there any special qualities of the environment that they construct over the medium and long-term which aid in this process of discovery?

- What is the nature of the opportunities recognised (with particular emphasis on similar characteristics of the whole series of opportunities)?

In undertaking the research, we were also interested in exploring these questions with entrepreneurs who were not solely from one socio-cultural context. This dictated that we select an international sample.

Sample

In identifying our sample, our selection mechanism was simple: we wanted to talk to entrepreneurs with more than two successful ventures. We also avoided venture
capitalists or pure business angels, to avoid confusing the idea creation and recognition process with evaluation. We found, however, that most of the serial entrepreneurs, because of their (earned) status in the business and financial community, were frequently involved in other people's ventures as angels and/or silent partners. The interviews focused on their experiences as entrepreneurs, rather than as investors.

We contacted several serial entrepreneurs for interviews, and interviewed ten. Our original plan proposed to interview 20 entrepreneurs, but because we have found a high level of convergence in our initial observations, we do not propose to complete the full series of initial interviews planned before moving toward a more structured examination of the phenomenon. Interviews in France were conducted in person, the others were carried out over the telephone. Initially, we were concerned that the telephone would impose some constraints, but in fact the entrepreneurs seemed completely at ease.

The serial entrepreneurs we interviewed were males between the ages of 45 and 65. One lives in Britain, one in the U.S.A., five in France, one in Belgium, one in Canada, and one in the Netherlands. Of the French residents, one was an American, and another French-American. The following is a synopsis of the background and some self-described characteristics of each of the entrepreneurs we interviewed.

Entrepreneur A specialises in manufacturing industries that are dominated by "poor management". He buys factories, always with at least one partner, turns around the operation, and eventually sells out. In some cases, he consolidates several operations before selling. His primary interest is in food processing, but he has also invested in other similar basic manufacturing industries (e.g. paint brushes). In addition to his entrepreneurial activities, he also invests as a silent partner in new ventures.

Entrepreneur B likewise specialises in turning around operations, although he has also started up several ventures. He has worked with several different partners. He is less focused than entrepreneur A, however, and has interests in commercial and manufacturing operations, and sells services and products. For example, one successful start-up operation works in the executive out-placement industry, with the unique service of helping redundant executives create their own businesses rather than finding another job. One of his opportunities involved a successful turnaround operation of a bankrupt factory that achieved break-even within a year. Entrepreneur B was an investment banker, and became an entrepreneur so he could continue to live in Paris. One of his self-reported skills as an entrepreneur is structuring creative financial deals.

Entrepreneur C is a self-described "business angel" who "actively" invests in new ventures. However, we included him in the study because he is very involved in the ventures he invests in and acts as a de facto team member. The line between "angels" and entrepreneurs, as we noted above, is sometimes very hazy. He provided an interesting perspective both on inventor-entrepreneurs (he invests in very high technology companies, using his PhD in nuclear physics to inform his evaluation and to influence the evolution of the companies), and on how the actual business opportunities evolved from pure technical invention.
Entrepreneur D described himself as an analytic entrepreneur, one who decided to start a business, and very analytically invested in markets to find the right opportunity. In practice, most of his activity has been in the communications industry, starting as a journalist and lobbyist, and eventually running a company which designed, manufactured and sold communications hardware (see Churchill, 1988). He is now semi-retired, and keeps busy as a board member and "angel".

Entrepreneur E has invested primarily in retailing or marketing operations, including a few franchises. He usually focuses on consumer products or services, where he sees a big gap in the market. He always has been involved in start-ups - even his franchise investments were always made when the business concept was just entering the French market. He has a long-term partner, whom we did not interview, with whom many of his ventures were (and continue to be) initiated.

Entrepreneur F and G have been working together for most of the last 20 years, starting up new ventures in a number of industries. Their most consistent, though not exclusive, commitment has been in a natural resources/processing industry, providing innovative lower-cost solutions to basic processing problems. Entrepreneur F is a creative engineer, while Entrepreneur G takes the business management and market orientation. These entrepreneurs often have sold new ventures before they have proven successful, in order to concentrate on another business.

Entrepreneur H left consulting to become an entrepreneur with his partner (an ex-investment banker). They have built several international specialty retailing chains. Starting with a distribution license to bring a carpet retailer to Benelux, they eventually created a number of joint ventures with successful but small family-owned specialty retailers, complementing the original owners' knowledge of the products with their experience in rolling out nation-wide chain stores. In other ventures, their involvement is usually restricted to board membership.

Entrepreneur I has created and purchased companies in die-casting, component maintenance, heat treatment, and other related industries for several decades. His current focus is on jet engines and turbines components. He continuously searches for new applications and new customers for his product lines and specialities, and has gone through several cycles of diversification and focusing. He started decades ago, he says, by bringing U.S. process technology to Europe. Today, his companies serve international customers, with plants located in several countries - although he still describes himself as a relatively small player.

Entrepreneur J has developed a large family business, with two major product groups, media and advertising. He is well-known within Canada for introducing TV Guide into the market (despite the dominance of large publishing houses) and cellular phones. He continues to expand, and is now looking for a new major product line. He described most of his major successes as beginning with casual comments by people in his business network.
Methodology

Each interview began with an explanation and discussion of the research questions. We found that repeating our specific questions was critically important in order to focus the discussion: the serial entrepreneurs interviewed tended to assume researchers were interested in their success secrets. This opening discussion was followed by an overview of their major ventures, with probing questions on how they identified and framed the business opportunity at the base of the ventures. The interviews concluded by reviewing the interview protocol, which was developed based on the literature, and updated after the first interview, to ensure that all the major issues would be covered. In fact, the discussion of major failures and successes, and how those ideas emerged, usually covered the major questions quite naturally.

The entrepreneurs all seemed to be at a reflective stage of their life, as they prepared for (sometimes early) "retirement". In practice, this meant they were moving more investments towards long-term, less risky, income-earning vehicles, and often were thinking about or making the transition to less operational involvement in their current businesses. From the research perspective, their reflective mood was helpful, and yet sometimes led to post hoc rationalisation. Specifically, several of the entrepreneurs had obviously read certain entrepreneurship books, partly as a vehicle to reflect on their own past. Of course, they could argue that the books influenced the reflections because they rang true with their own experience. We were forced to carefully weigh whether some comments were driven by reading (i.e., the perceptions of others) or experience.

We will now turn to a discussion of some of the observations concerning the entrepreneurs, their behaviour and their process in perceiving opportunity, some of which is already discussed in the current literature and is presented here as a corroboration of others' results.

INITIAL OBSERVATIONS

As noted earlier, this research project was designed as a pilot study to inform a broader, more rigorous project. As such, we hoped to create a "shopping list" of significant factors to consider. To simplify the overview, we have organised our observations in five groups, starting with the attitudes and motivations of the entrepreneurs, and behavioural aspects related to opportunity, and then focusing more on the ideas themselves, looking at cognitive aspects and the structure and process. A few of the factors we found most interesting will be discussed in greater detail, exploring some possible theoretical implications in the next section.

Entrepreneurs' Attitudes And Motivations

Attitudes and motivations of entrepreneurs have been studied extensively, and thus most of our findings consist of largely confirmations. General entrepreneurial traits were definitely not the focus of the research, and yet a few points came through so
strongly that they are worth noting. First, all the entrepreneurs had extremely high internal locus of control (Kets de Vries et. al., 1989). Entrepreneur B, for example, had recently experienced a failure in a consumer products venture, and yet he refused to accept the possibility that the recent and deep recession in France was a factor in the failure. All of them, in fact, were quite open and willing to discuss their failures, and all identified their own responsibilities in the failures. Second, the entrepreneurs (except Entrepreneur C) did not consider themselves as big risk-takers, although they report that external observers have seen them as risk-takers. Rather, as Palich and Bagby (1995) argue, they tended to frame situations differently than most people. This different framing may be due to their justified self-confidence or to a predisposition to optimism (Guth et al., 1991). Even Entrepreneur C, the biggest risk taker of the sample, in fact considered the risks quite manageable as long as the ownership structure of the venture was right. Entrepreneur J likewise contrasted his optimistic, or opportunity oriented way reading of his early financial statements and the pessimistic interpretation of his accountant.

A few additional things stood out as most relevant to the opportunity identification and capture process. First, the entrepreneurs were very confident about their judgement and their abilities despite some perceived inadequacies which will be discussed later. This confidence could have resulted from, but is certainly reinforced by, the series of successes they have experienced. Second, they were not specifically motivated by the need to make money -- money was an important measure of achievement, but not an end in itself. Opportunity and its pursuit counted first. This finding is probably due to our focus on successful entrepreneurs, who according to Amit and Muller (1994) are more likely to be driven by 'pull' motivation. Third, their pursuit of opportunity was well supported with personal time and effort: all also seemed to be workaholics. And fourth, the serial entrepreneurs interviewed uniformly proclaimed an extreme need to be successful and independent. Entrepreneur A described this as a "restless self-image", which led him, and he suspected other serial entrepreneurs, to try new things. This would appear to play a major role in driving the opportunity search process, ensuring pursuit of new opportunities are completing the last. In summary, the pursuit of opportunity appears to require energy, continuous drive, a belief in personal judgement, and a focus away from resources.

Finally, one interesting aspect of serial entrepreneurs, which appeared among those interviewed was their psychological attitude toward business exit. Although they invested enormous energy, time and creativity into their ventures, they seemed to have no problem detaching emotionally from the ventures. It was perhaps their restlessness which let them exit ventures (selling out at a profit usually), so that they could inevitably turn to a new project. They were clearly motivated by the opportunity for exit.

Opportunity Search Process And Timing

A significant opportunity behaviour, specific to opportunity creation or recognition, was the entrepreneurs' iterative process in discussing, investigating and evaluating specific ideas (cf. Gaglio and Taub, 1992). Senter (1995) argues a similar iterative process is required in breakthrough R&D, where the nature of knowledge (often tacit) requires open and direct communication. Through this iterative process, there
seemed to be a type of self-discipline at work, ensuring that the entrepreneurs stuck to their "rules" (Churchill et al., 1995). This patience seems at variance with the often perceived image of the entrepreneur as an "opportunist"; striking when the opportunity iron is hot. In our discussions, a number of entrepreneurs began recounting stories that sounded like they turned around a simple idea into a full-blown venture in a week or a month, but further discussion revealed that the idea had been floating around for several years. This initial self-expressed speed of exploiting opportunity may be what leads some to the inappropriate conclusion that entrepreneurs are fast, opportunity "movers and shakers".

Entrepreneur A, for example, took less than a week to learn about a bankrupt company, investigate key factors, and make an offer. Was this fast? Most certainly this would appear to be fast. However, he had originally looked at the company 3 years earlier and had his offer to purchase it turned down. In addition, he also assembled a operating team months earlier in response to the nagging of two friends who wanted to become owner operators in the industry. The same kind of iterative process was observed in the case of product or process innovations, where the original ideas were subjected to years of discussion. In fact, Entrepreneurs F and G attributed a recent failure to their personal lack of discipline, not taking time to think about an idea before starting a venture.

Opportunity Ideas: Cognitive Perspective

The nature of opportunity cognition, as observed in the serial entrepreneurs interviewed, was quite complex. This is certainly consistent with the literature on creativity, decision making under uncertainty and artificial intelligence. Nonetheless, some consistent observations could be made. Opportunity perception was more subjective than objective (though there appeared to be significant post hoc rationalisation of some of the financial aspects of opportunities that were pursued). Opportunity was in the convergence of clear, good ideas about both the customer needs and the contributions of those who propose to meet the needs, and thus could only exist subjectively. The entrepreneurs themselves were a key element in the convergence. The essence of the entrepreneurial opportunity, for all the entrepreneurs, was the ability to create or add value for some one. In other words, an opportunity was an economically advantageous fit between a need and a solution. The consistent themes from the interviews with regard to cognition were the "search for the value proposition" and viewing of opportunity relative to the skill set.

Before discussion this further, we should note that the entrepreneurs' base of expertise could be described by two categories of opportunities: product and process, a division somewhat similar to craftsmen and opportunists. A process opportunity, we would describe as one in which the entrepreneurs' contribution is in more managerial activities, such as strategy development or day-to-day operations. A product opportunity is one in which the entrepreneurs' contribution is in delivering a better solution to the customer. (Clearly, a product innovation without good management will not work - Entrepreneur C recalled a number of situations in which the lack of management or business skills sabotaged an excellent product opportunity. Entrepreneur F, realising his contribution would always be more product oriented, hired his business oriented partner in one of his first decisions in setting up his first venture.) By recognising that process and
product expertise, from an opportunity recognition perspective, worked in similar ways, we were able to identify more clearly the similarities in the cognitive processes which led to creating the new opportunity.

The first point, what we term the "value proposition", is related to the customer focus point. The serial entrepreneurs really do look for value they can bring to the table and value they can obtain for their efforts, not as an analytic, evaluation tool, but as a way of driving their thought process. The entrepreneurs interviewed can recount a number of apparent opportunities, even obvious ones, they passed up because it was not an opportunity where they personally added value.

The serial entrepreneurs interviewed are intensely customer oriented. Even the most technology-oriented of the entrepreneurs in our sample were clearly directed to their customers. Before proceeding with any opportunity, they appeared to thoroughly understand their potential customers' needs as well as to understand the value added (often for price or contracting purposes). There was also a dynamic search for how additional value could be added in order to maximize value (price, and profit). In the case of the retailers, their perspective was oriented to providing specific services and/or products to consumers for better value. This value added perspective included lower prices, but also faster delivery, higher quality or better service. In the case of the inventors, the problem focus was not driven by an intellectual question of the sort academics enjoy, but rather solving application challenges.

Customer value orientation was reflected in Entrepreneur F. An inventor, he recounted an experience he had as a young researcher working on a technology project in a large company lab. An "answer" had been developed to a common technology problem without reference to a specific business application in mind. Without that customer context as a discipline, the scientists created a clever gimmick which could never be adapted into industrial processes. He decided at that moment to always start from the customer application end when doing research. Entrepreneur C, who invests in high technology start-ups, likewise identified the need to have a focused customer orientation - something not all his inventor partners had. Entrepreneur C had an interesting way of describing this orientation. He asked himself, in reviewing opportunities, "Would it be a shame if this product didn't exist?"

In this discussion, we found two streams of existing research were reconfirmed by our research. One research stream argues that opportunities must be problem driven. This research stream often reflects an underlying analytic paradigm from industrial organisation economics, though this paradigm is very static in its perception of opportunity. For example, Christensen et. al. (1989, 1994) found that companies which worked to increase opportunity recognition, introduced mechanisms to improve formal recognition or discussion of customers' frustrations and problems. Research in other contexts found similar results (e.g. Timmons, Muzyka, et al., 1987), and this orientation is also thoroughly explored in mainstream marketing and strategy literature (e.g. value-added marketing).
The "hands-on" need to add value is reflected in the general behavioural patterns they exhibit. To set up a contrast, we discussed personal investment strategy with several of the entrepreneurs, who invested in the stock market along side their high-involvement entrepreneurial activities. Their perspective on these activities complemented their personal activities in interesting ways. All of them chose their own portfolios, not relying on analysts, stock brokers or fund managers. They frequently selected unpopular investments, fully expecting them to become big successes -- reflecting their confidence in their judgement. Yet these investment opportunities were quite distinct from entrepreneurial opportunities, even for Entrepreneur C who is more heavily financial oriented. Their perspective on investment opportunities highlighted the subjective nature of entrepreneurial opportunity.

Relative to the second point, we found that the entrepreneurs' expertise and experience, as represented by their skills, abilities and knowledge, was the platform from which the entrepreneurs "jumped" (to use Entrepreneur D's metaphor). In essence, their expertise and experience could be seen as a lens through which they perceive and evaluate opportunity. Their knowledge platform includes both explicit and tacit knowledge, and may be technological, functional (e.g. sales and marketing, production), managerial or industry specific. Most of the entrepreneurs, in fact, worked in specific functions and industry before launching their first venture in related industries. Entrepreneur C argued that his academic training allowed him to accurately evaluate the implications of technological breakthroughs which most people would never understand. Entrepreneur A asserted that he could tell within 5 minutes whether a production plant was a "happy factory." A poorly managed, "happy factory" was an attractive investment for him, so this inexplicable tacit knowledge about factories was an important aspect of "creating" opportunities for him to exploit. In a future study, we hope to further examine Woo el al's (1992) finding that 'expert' entrepreneurs engage in more extensive information search activity, as compared to novices.

As previous research has reported, we found that entrepreneurs did have a reasonable logic to the sequence of opportunities they were pursuing, usually staying within the same or closely related industries (Schollhammer, 1991). This does not suggest that the logic was always linear (i.e., you could not necessarily exactly forecast their next opportunity from their last). Yet, the sequence of opportunity did appear to be driven by some consistent, apparently emergent goals. This is a point we will develop further in the next section.

In the end, opportunity cognition was a very personal process. Opportunity in general does not necessarily equal individual opportunity. It is also clear that the sequence of opportunities was conditioned by previous opportunity and experience, though the connections or path of opportunities could only be clearly seen in a historical way.

Opportunity Discovery Environment

There were few consistent elements in the nature of the environment and surroundings these serial entrepreneurs constructed or lived in which fashioned the
opportunity discovery and exploitation process. As the entrepreneurship and innovation literature would suggest, the existence and use of networks was important. These serial entrepreneurs, consistent with previous research, would also spend considerable time and effort evaluating potential new opportunity, even if they were busy (i.e., they would find the "slack" time and resources required).

The most striking, and unexpectedly consistent, aspect of the opportunity building process was the role of partners. This aspect is discussed in greater detail in the next section. The truth of Donne's observation that "no man is an island" was remarkable: serial entrepreneurial partnerships work in the context of the dynamic possibilities of their complementary personalities, as well as the deep loyalty of their mutual commitment. Entrepreneur B, in one striking example, works with a series of partners in different ventures. In one particularly difficult situation -- the venture was not achieving short-term success and needed to be dissolved -- the only thing that prevented the disintegration of the whole operation and major financial loss was the trust between the partners. This trust allowed Entrepreneur B the time to find a creative solution to their situation; one which benefited both of the partners.

The partnerships were central within a small network of highly trusted contacts. This network provided a forum for discussion, as well as access to necessary resources. It also expanded the collective knowledge and skill base. Our focus on the pre-start-up phase of the entrepreneurial process encouraged the entrepreneurs to reflect on the importance and value of trusting relationships. Entrepreneur F, for example, noted that before the final innovation is created, no patent can protect his tentative ideas. Yet, he argued, he needs to discuss the ideas with his partner and others, as a necessary condition to finding a satisfactory solution. Without 100% confidence that others will not steal his ideas, he would not be able to discuss his ideas openly and therefore would not be as successful. Entrepreneur I described how he built a carefully constructed network of experts to provide honest and accurate evaluation of technology opportunities and industry trends.

To summarise, we found we needed to add the partner relationships to the more typical characterisation of strong and weak ties described by network analysts (Burt, 1992). The broader networks of the entrepreneurs, confirmed the more rigorous research conducted by network analysts within entrepreneurship research (e.g. Greve et. al., 1994). As expected, weak ties often gave access to new information, and strong ties provided access to resources and crucial business connections (Peterson and Ronstadt, 1987).

The Structure of the Opportunity Concept

With all the emphasis on the subjectivity of the opportunity construct, we were still able discover some consistent elements in the structure of the opportunity concepts which attracted the serial entrepreneurs. All the entrepreneurs avoided markets which were competitive, or potentially competitive. When pushed to describe the characteristics of too-competitive markets, a number of specific red herrings were identified. No one was interested in me-too products, where they could not differentiate themselves. Entrepreneur H, for example, enters specialty retail markets where the
retailers' name is more important than the product brand name - thus avoiding the risk of being or attracting me-too imitation. In terms of the product opportunities, and to a lesser extent the process ones, the entrepreneurs looked for high quality yet low cost, unique solutions. For Entrepreneur E, a well established auto repair franchise in the U.S. fit that description when it entered the French market, but Entrepreneur F and G likewise have achieved breakthrough technology solutions in their industry which positioned them to win against large competitors. Market size was also significant: Entrepreneur D said he looked for markets that were too big, with high enough entry barriers to discourage lots of start-ups, yet too small to attract the major players in the industry. For the turn-around entrepreneurs, opportunities existed in industries dominated by poor managers and therefore weak competitors.

Our work with serial entrepreneurs tends to confirm the general perception of "what makes a good entrepreneurial opportunity" (see Timmons et al., 1987). These entrepreneurs do not like to actually compete. They operate from niches. While the niche may grow to capture the broader market, this does not suggest that any of these serial entrepreneurs were out to prove something to an existing market. Entrepreneur J, when describing how he enters new markets, said that he buys into a company as a way of buying into a "room" (industry), and once he is inside, he looks for the niches. Finally, as consistently reported in previous work with entrepreneurs, these serial entrepreneurs exhibited a singular lack of interest in most criteria for opportunity evaluation proposed by the traditional marketing strategy and industrial organisation economics literature. Through discussion, they made it clear they did not believe in general opportunity evaluation models.

One observation of the serial entrepreneurs that was probably more pronounced was their focus on exits. Exit options were very specifically considered, as the entrepreneurs built their ventures. None of them seemed interested in creating a company which would restrict their future movements, which may partly be a part of the psychology of the serial entrepreneur (see above). An honest evaluation of exit options played another role also: indirectly, the entrepreneurs were forced to take an outsiders' perspective on the potential of the venture, and thus perhaps set aside their personal optimism. In summary, while all entrepreneurs regard exit options to some degree (they need to capture the value), these serial entrepreneurs were more focused on the evaluation of exit options at the outset. In a way, they were more like venture capitalists than entrepreneurs in this particular dimension of opportunity evaluation.

These observations and other input from the interviews suggests some themes for further research and theory development.

THEMES FOR FURTHER RESEARCH

As discussed previously, this work is only the beginning of a more structured study. We will be more properly structuring and validating the observations made here. However, these observations do suggest some implications for further research and theory development. Four interesting major themes emerge from our early explorations.
Opportunity: A Subjective Reality

Without an exception, each of the serial entrepreneurs discussed the opportunities they recognised as being opportunities for them. The opportunities did not exist "out there", for anyone to recognise and exploit - at least not the opportunities that interested them. The key that made interesting possibilities into a real opportunity was the entrepreneurs ability to contribute to the execution of the opportunity. Perspective was important.

Each entrepreneur had a very clear sense of what they had to offer, whether it was superior engineering skill, factory management experience, or product marketing. One entrepreneur specifically used this point to differentiate himself from a financier, who, he said might have courage and intelligence in investing in new ventures, but whom he would not describe as an entrepreneur. Even the more financially oriented entrepreneurs interviewed made it clear that they would only invest in companies where they knew they could make a significant contribution of skills as well as resources.

An opportunity, for the entrepreneurs, existed only because there was a link to their own skill or experience base. The early careers in these entrepreneurs was, in this context, quite interesting. Several of them have built directly on their early experiences. This pattern of evolution of the entrepreneurs' experiences and actual businesses led us to develop our theory of opportunism, discussed later.

Even when the entrepreneurs expressed the desire to do "something different", they kept this subjective perspective on opportunity. Many of the entrepreneurs openly said they would like to try different things, and felt they could succeed because of their proven ability to succeed in general. Yet, when pushed, they framed these 'different' things in terms of skills and knowledge they gained over the years. Thus, their desire to change domains was rooted in their regret over not developing some skills as much as others. Their perspective on opportunity, even in apparently unrelated situations, was driven by self-knowledge.

Subjective opportunity, by definition, is likely to be much more unique than objective opportunity. An alternative way to interpret the entrepreneurs' perspective on opportunity is that they consciously avoid excessive competition. Entrepreneur A made acquisitions in industries where most people cannot manage, which meant all his competitors were weak. Entrepreneur D was able to tell me exactly the size of markets which interested him - too small markets with low entry barriers, he said, attract too many start-ups, and too big markets attract the big companies with deep pockets. He tries to place himself in the 'emptier' in between markets. Entrepreneur C likewise observed that he always avoids copy-cat products, or product-markets with strong competitors who are likely to be effective imitators. By being unique, either through product, process, positioning, and/or value the structure of their value chain, they all agreed chances of success were more likely.
Partnerships and "Know-Who"

The entrepreneurship literature has a growing body of research which discusses the role of people and networks in the entrepreneurial venture, and in entrepreneurial success. The research we conducted certainly confirms several aspects of the literature (for example, Greve et al., 1994, Peterson and Ronstadt, 1987). Related to the notion of network is one particular observation: the new ventures often were founded by long-term partners. Not all the entrepreneurs were connected to a single partner over a long period of time, but the close relationship and mutual loyalty between partners was a major theme. This finding led us to reflect further on the benefits and nature of these partnerships.

The entrepreneurs we interviewed had linked with partners who had complementary interests and skills, without exception. The partnerships, both long-term and short-term, were intended to create a complementary set of the skills essential to realising the new venture concept. About half the entrepreneurs worked exclusively, or almost always, with the same partner. The rest tended to work with a limited set of contacts. Interestingly, two entrepreneurs cited their own personal weaknesses in long-term partnerships as being a major factor in limiting their success. In most cases, the entrepreneurs strongly asserted that their partnerships were a way to compensate for personal weaknesses or preferences. This observation suggests that successful partnerships are essential to creating successful ventures.

Another strong perceived value to partnership, specific to the idea convergence process, emerged in the discussions. One major aspect many entrepreneurs mentioned was that the idea creation process, or rather the idea convergence process, took several years. The building of business concept could not be conducted in isolation, they felt, but rather ideas developed and were enriched by on-going discussion. Yet, especially in the case of product inventions, open discussions could lead to costly theft of ideas and opportunities. The long-term partnerships provided exactly the context in which the necessary open discussion could take place. Given the importance of trust in this context, our future research will use the models of trust developed for research in organisation behaviour (e.g. Payne et. al., 1995).

For example, the role of discussion was further highlighted as we investigated the complementary roles and perspectives of the successful partnerships. Entrepreneur H, for example, described himself as an excessively optimistic person, but he was balanced by his partner who tended to be pessimistic and see problems before entrepreneurs. (Kahneman, Slovic and Tversky (1982) might argue that the addition of this second person may correct for some of the normal judgmental biases of individuals.) Entrepreneur A, who tends to work with several partners, argued that the very existence of the relationship, with its combined knowledge, was the basis of many opportunities - he took a definite "subjective opportunity" approach, as described above. The broader knowledge base, as well as access to more resources and time to work, allowed these entrepreneurs to access a wider range of opportunities than they could have as individuals.
We would suggest that further research into the role of "joint opportunity development" would be a worthy pursuit. The serial entrepreneurs we interviewed, even though they appeared to be the dominant member of the partnership, certainly relied upon these partnerships. Entrepreneur H, in fact, said he was the people person in the team, and therefore he handled the interviews. Entrepreneur F insisted we meet and interview his partner, despite possible redundancy. Further research will explore whether this reliance on partners was for reasons of knowledge, psychological support, and/or work sharing.

The Counter-Intuitive Thinker

The serial entrepreneurs interviewed, as suggested by the observations, were strongly counter-intuitive or wanted to be viewed as counter-intuitive or contrarian in their successful capture of new opportunities. McGrath and MacMillan (1992) found the same drive in their international survey research of entrepreneurs. The entrepreneurs would actively seek opportunities that others would pass over or that "were not obvious". The reasons for this could be multi-dimensional. First, the reason for their pursuit of counter-intuitive opportunity could be economic. It could be argued that they were searching for opportunities with a high "barrier to observation" (i.e., others would have difficulty understanding structurally whether to pursue an opportunity and whether one could make money at it).

Second, the need to be different could be related to psychological needs (i.e., the need to prove oneself). Kets de Vries and others who have clinically studied entrepreneurs have identified a strong need for entrepreneurs "to be different" (see Kets de Vries, forthcoming). Despite the outward task-oriented confidence, the entrepreneurs observed in the study as well as those reported by Kets de Vries, have relatively fragile egos and low self-esteem. Part of the entrepreneurial performance, especially demonstrating that they can successfully capture opportunities avoided by others, provides additional ego enhancement. A number of the entrepreneurs openly reported a sense of low self-esteem (e.g., Entrepreneurs B and E) or a constant need to prove something (Entrepreneur J) in light of their self-image.

Finally, this apparent counter-intuitive strength could be related simply to the fact that entrepreneurs are better at capturing opportunities that are not obvious. They may have a fundamentally "creative mind" (Shalley, 1995) that is more capable than average at the recomposition of information to create new knowledge. This new-knowledge creating ability permits them to make connections which make opportunity possible.

In the end, this counter-intuitive thought pattern is an obvious characteristic of the entrepreneurs interviewed. It comes through strongly in virtually every interview. We would argue that it merits further understanding.

Opportunism as a Path Dependent Process

The serial entrepreneurs clearly showed a pattern in the ventures they created, and even more so in the ventures they chose to focus on. This pattern is partly due to the
fact that the serial entrepreneurs view opportunity subjectively, looking at their own personal contribution as a starting point. We were intrigued by the strong though non-linear patterns (i.e., they didn't just begin with and stay within the confines of one industry) which emerged among the entrepreneurs, even in those who did not have a defined career specialty a priori. The observation of their emergent, and sometimes complex evolutionary paths led us to the notion of a model of opportunism or opportunity seeking. This model combines a simple model of evolutionary development with a model of opportunism and learning developed through research in the field of artificial intelligence.

The point of departure is the concept of path dependency, which emphasises that the past affects the present and future, but the path itself is not deterministic. By this concept, we recognise that at any step of the way, the entrepreneurs could have -- and in some cases did -- move into a completely different industry or venture. Though the past, in complex ways heavily influences the future path, past does not determine the future path. Also, the path of the entrepreneurs' evolution is not decided at the beginning, but each step is a unique decision point, apparently independent of the past and future. In biologic evolutionary terms, each mutation is unique to the specific place and time, constrained by the past, but never shaped by future considerations. Thus, despite a strong, industry specific pattern in certain entrepreneurs' careers, it would be wrong to assume that they "decided" to focus on the industry at a young age, and that the rest of their decisions were simply implementations.

If the entrepreneurial career pattern is not determined by early decisions, how then can we understand the pattern? The question became particular potent when we noticed that Entrepreneur F, for example, had a focused career pattern, yet had actually created valuable inventions in other fields, and also, with Entrepreneur G, had created a number of successful unrelated ventures. Others also showed a broad curiosity and ability to make contributions, and yet they had apparently focused more narrowly.

Research in artificial intelligence provides a model of opportunism and learning that is both intriguing and potentially testable in this context. In particular, work in genetic algorithms (see Holland et al., 1986) provides an interesting framework for pursuing this stream of research. The model developed by Hammond et al. (1993) defines opportunism as suspended goals. These goals are suspended, because they are 'incomplete', that is, the agent cannot achieve the goal under the current circumstances. The suspended goal is stored cognitively, not as a desired goal, but as a series of possibilities (opportunities) which would "complete" the goal. The agent then focuses on the currently achievable goals. In pursuing the achievable goals, the cognitive tags of the suspended goals act as nearly subconscious flags, ready to revive the suspended goal if a completion opportunity arises.

To use an example from our sample, Entrepreneur A found an interesting company which was under-performing in an industry in which he was already very active. His offer to buy the firm was turned down. Over the next three years, while acting on other goals within the industry, new partners were identified, other opportunities for under-performing companies were sought, and finally the original company went into
bankruptcy. The suspended goal became complete-able, and he took action. In another example, Entrepreneur C described a new technology which pulverised hard metals, allowing for extremely hard resin coatings. The challenge was identifying applications that need "very hard, protective coating." Eventually, several excellent uses were discovered and tested. All these "completion" opportunities were recognised while working in the industry on other projects. In this way, entrepreneurs build ideas, sometimes over five to ten years. The "search" can be conscious and directed, as it was for Entrepreneur D or I, or unconscious and serendipitous, as it was for most of the entrepreneurs.

Using this model of opportunism, we can understand how the pattern builds in the entrepreneurs' careers. The path dependent effect emerges, precisely because the missing pieces of ideas are found in the process of existing projects. Therefore, probability suggests that the completed and executed ideas will resemble or be related to past ventures. In a simple example, many entrepreneurs used the same client base, providing new services or innovations over time, or turned a basic technological insight to several applications.

We can use the same model to understand new ventures which appear to veer off the main road. Entrepreneurs, like most people, have a circle of friends and connections which work in different industries than their own. In the process of 'acting' socially within this network, the entrepreneur may hear interesting information, which they eventually act on. The information may create a 'suspended goal', as Entrepreneur F's friendship with a transplant surgeon led to interest in artificial organs, or it may lead to completion opportunities, as Entrepreneur J's board membership led to a media licensing opportunity which fit with his desire to diversify into a related field (he was in advertising). Entrepreneur H found himself suddenly investing in chemical processing, because a good friend had identified a huge opportunity based on new technology which fit with his suspended goal to move from operational entrepreneurship to investing as an angel. Entrepreneur E invested in a food processing innovation in the U.S. -- departing from his pattern of retail operations in France -- because one of the inventors was his brother-in-law.

We are attracted to this concept of opportunism, for the simple reason that it suggests an entrepreneurial strategy which may be teachable and testable. Gaglio and Taub (1992) found differences in cognitive style and strategies in a pilot study, which supports our suggestions. Earlier research If the key to recognising opportunity is the way in which suspended goals are stored cognitively, we may be able to research the cognitive strategy of entrepreneurs as opposed to non-entrepreneurs. Do non-entrepreneurs store suspended goals at all? Do they structure cognitive tags, which would trigger their consciousness that an opportunity has arisen to complete a suspended goal? Do the suspended goals relate in any way to the current context of the individuals? If not, do they have an appropriate strategy for placing themselves in context with more opportunities? If these questions can be answered, then we should be able to adapt programs for entrepreneurial activity to increase opportunity recognition. Our work with serial entrepreneurs points to some intriguing research possibilities in this area.
SUMMARY AND NEXT STEPS

In the work reported here, we have initiated a research project aimed at providing a better understanding of the perception of opportunity. The initial stage of the work involved ten in-depth interviews with successful serial entrepreneurs: individuals who appear to have a longer run ability to identify and capture entrepreneurial opportunity. This work clearly provides us with some insight which we will use to frame more structured instruments to further investigate the phenomena of opportunity perception. We welcome any comments to guide our work.

REFERENCES


