

CREATING NEW BUSINESSES: FROM THE INTUITIVE LOGICS TO THE HEURISTIC DECISION-MAKING

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ABSTRACT

There is a large amount of information, but only a few pieces of knowledge in the current business environment. Because the major part of people and companies are not aware of the links between these peaces of information, there are many business opportunities available to be created as new and profitable businesses. In this study, we used empirical examples in order to contribute to the opportunity creation discourse. The contribution is three-fold. Firstly, we found that intuitive logic is a social mechanism of how the business opportunities are created. Secondly, heuristic decision making (i.e. trial-error types of decisions) rather than the rational decisions proposes an effective way to exploit the business opportunities. Thirdly, the creation of new businesses is about stepping back and forth between the opportunity creation and exploitation due to the fragmented knowledge that is located into the in-between spaces at the market.

Keywords: fragmented knowledge, business opportunity, market, change

INTRODUCTION

Companies are moving from the principles of governing and defence of their territories to the creation of new businesses all the time (Kim & Mauborgne 2005; Sarasvathy 2001; Sarasvathy & Dew 2005; Fletcher 2006; Hjorth 2007; Dew 2009 see Shane & Venkataraman 2000; Venkataraman 1997; Shane 2003). Reasons for this are multiple. Firstly, the fast development of technology makes the existent businesses out of date and it also feeds opportunities to create new businesses (see Ireland & Hitt 1999; Zahra 1999 see Görling & Rehn 2005; Shane 2000). Secondly, the markets are becoming complicated and needs of the customers are individualized (Sarasvathy & Dew 2005; Fletcher 2006). As it is difficult to predict the preferences and behaviour of the customers, the large companies fail as well (see McGrath & MacMillan 2000; Alvarez & Barney 2007). This is a factor that makes it possible for smaller firms to create new business opportunities (Pfeffer & Veiga 1999; Zahra 1999). Thirdly, there is an outstanding amount of information in the markets, but the pieces of knowledge are difficult to find from there (Ireland & Hitt 1999; Johannisson 2007).

The current business environment can be hostile or even blurry frequently. The ways companies are doing things have not been settled down while the knowledge basis in the creation of new businesses is changing all the time (Zahra 1999; Dew 2009; Sarasvathy & Dew 2005; Görling & Rehn 2008). Moreover, the companies cannot only wait the acts of the rivals, but they need to be proactive rather than reactive (i.e. to make sense of the things) before anything has not been actualized or realized (Hill & Levenhagen 1995; Davison & Blackmann 2005 see Dew, Velamuri & Venkataraman 2004). A widening access to Internet has created a situation, in which the increasing number of people gets more and more information from countless different sources (see Ireland & Hitt 1999; Zahra 1999; Johannisson 2007). Hence, knowledge that can be used to business making is not in the hands of small circle of people anymore. Due to this, knowledge is fragmented and almost everybody can have an access to it. In this paper, a couple of empirical examples are analyzed in order to contribute to the opportunity creation discourse. Purpose of this study is to increase understanding of the opportunity creation as well as exploitation mechanisms that are used while companies are striving for profits in the world that is never static.

Currently, economies have been become global and there is an overwhelmingly amount of information that is hard to being controlled or even handled (see Gailly & Belousova 2009 compare with Rindova, Barry & Ketchen, Jr. 2010). For example, the number research publications is amplifying (Pfeffer 2007 see also Starbuck 2003). On this ground, we argue that the current economy is at the ongoing state of disequilibrium that cannot be controlled well in terms of the creation of new businesses (compare with Schumpeter 1934; Shane 2003). In contrast, the intuitive logics and heuristic decision making seem to be crucial (McGrath & MacMillan 2000; Sarasvathy 2001; Görling & Rehn 2008; Dew 2009). The current opportunity based entrepreneurship literature does not, however, strongly contribute to the analysis of complex and ambiguity business environment, because there is a lack of studies that take the context specific issues as well as creativity into account (Hjorth, Jones &

Gartner 2008). In contrast, the emphasis has been put on an individual entrepreneur and the personality qualities or characters of entrepreneurs (see Casson 1982; Busenitz and Barney 1997; Kirzner 1997; Gaglio and Katz 2001; Eckhardt and Shane 2003; Delmar 2006). Then, the actions the entrepreneurs are doing have remained in the background (compare with Holt 2008; Hjorth 2004; Steyaert 2004).

Due to the need to do entrepreneurial actions in 21st century, the context, creativity, and social affairs that the entrepreneurs are parts of need to be taken into account. We propose a couple of empirical examples (e.g. Finnish companies – Mawell, Inc. and Helmi Technologies, Inc. – and Second Life) as illustrations of the information base that seems to be fragmented in the current business life. It is possible to see that those actors, who understand the nature of fragmented information, have advantage, not because of the possibility to control or own that information, but to integrate the knowledge pieces that are located into in-between spaces at the market (see Hjorth 2003; Steyaert & Katz 2004). When integrating those types of knowledge pieces, it is about stepping into the in-between and grasping opportunities in it (Hjorth 2005). In-between space is currently seen to be linked with an entrepreneurial activity that “searches and actively creates the distance to what is seen as normal and habitual; it enters and actively creates the between-space as an intensive space and can thus reveal the becomingness of the world” (Weiskopf & Steyaert 2010, 196). From there, it is possible to catch and integrate the knowledge pieces that are used when creating and exploiting the opportunities for the basis of new businesses.

What does the fragmented nature of information mean for the creation of new businesses? Because the business environment has been become too complex, the world cannot be governed (Johannisson 2007; Sarasvathy 2001; Dew et al. 2004 see also Knight 1921). Rational decision-making is not enough, because the world cannot be planned or forecasted in a way that the relevant decisions or solutions could be made in advance (see Sarasvathy & Dew 2005; Dew 2009). As a steady state of equilibrium is about utopia, the significance of the abilities to survive and create new things in the state of disequilibrium in an intuitive way are emerging (Sarasvathy, Dew, Read & Wiltbank 2008; Alvarez & Barney 2007; Hjorth 2005; Baker & Nelson 2005). In this, the tolerance of complexity and creating the business opportunities on the go is vital (compare with Alvarez & Barney 2007). Moreover, when exploiting the opportunities, the decision-making heuristics (i.e. trial-error types of decision making chains) play the crucial roles.

To sum up the discussion above, fragmented knowledge is a fundamental element of business. A couple of qualitative examples illustrated in this paper show that if the players of this type of business game know the game too well, the game needs to be created all over again so that there could be winners (see Kim & Mauborgne 2005). Moreover, a player needs a strong confidence concerning his or her abilities to intuitively create new things, because rationality, systematic thinking, or even strategic management issues are not relevant tools in keeping abreast of the current pace in business (Zahra 1999; Alvarez & Barney 2007; Ireland & Hitt 1999). The abilities to analyze in a rationalistic way are also needed, but the ability to create the business opportunities that others have not already been created is the most important issue (compare with Kirzner 1997; Shane 2003; Ardichvili, Cardozo & Ray 2003).

In the first chapter of this paper, the inevitable development consisting of change, dynamics, and fragmented knowledge in the current economy as well as new rules of the business game is illustrated. The second chapter links the fragmented knowledge to the fundamental nature of the creation of business opportunities emphasizing the role of the social networks and the key players' intuitive actions as parts of those networks. We propose

in the third chapter few ways to exploit the business opportunities for the viable and profitable businesses by using the heuristic logics. The creation of new businesses as the forth and back process between business opportunity creation and exploitation in an enthusiastic and passionate way are illustrated in the fourth chapter of this paper. In the fifth chapter, we propose a conceptual illustration of how the interlinked creation and exploitation of business opportunities create new businesses. Moreover, the directions of the future research are discussed. The arguments of this paper are summed up in the sixth chapter of this paper.

THE CREATION OF BUSINESS OPPORTUNITIES AND KNOWLEDGE ANOMALIES

It seems to be clear that the current business environment coerces companies to be in the middle of constant change. However, change is not dangerous, if it is understood correctly (compare with Knight 1921 see also Sarasvathy 2001). It is discussed that the companies should focus their actions on the core competencies, and to outsource other things from outside (compare with Görling & Rehn 2008). This must not mean that the eyes should be closed in the manner of doing things in a traditional way and forgetting the learning and creation of new things (see Dew et al. 2004; Sarasvathy & Dew 2005 see also Engeström & Blackler 2005). In contrast, there should, at every turn, be discovered new ways to apply the core competencies of a company (see Shane 2003; Shane & Venkataraman 2000; Kirzner 1997). It is not enough to do things well, but the abilities to do right things in the different sorts of situations are especially needed (Fletcher 2006; Holt 2008 see also Gartner 1985). As the scholars in the field of European School of entrepreneurship argue, the phenomenon of entrepreneurship should be rewritten in order to create a new knowledge of it (Hjorth et al. 2008; Steyaert & Katz 2004; Jones & Spicer 2010).

Nowadays, it can be said that the most important challenge is not to do a current task better, but to know, what the correct task or object of an activity is (McGrath & McMillan 2000; see Engeström & Blackler 2005). Thus, it should be asked what the core competence is actually. The core competence might often be more general than it originally was in the beginning. For example, the core competence of Kone Inc. is simply the vertical traffic. It is actualized in their business as the production of elevators. Exactly the same core competence could be applied, for example, in theme parks as an amusement ride that lifts people to the sky. In line with that reasoning, we argue that a skill, courage, and especially will to do things with the other players are needed in the very beginning of the process of creating new businesses. Hence, the relevant activities can be seen as the skills to:

1. anticipate happenings in the near future being based on the experience,
2. read markets and to see niches,
3. be in an active interaction with other players of such a business game and, in this way, to gather knowledge about ongoing happenings,
4. problematize the current ways of doing and exploiting business,
5. create business opportunities before other players,
6. get resources to exploit a business opportunity,
7. go away from the too attractive market place, but to find ones, which are big enough (that give you a satisfaction), but which do not interest too big competitors and rivals,
8. be in social networks, in which relevant pieces of knowledge and resources meet you.

The current development discussed above brings along a continuous need for knowledge (see Cohen & Levinthal 1990; March & Simon 1958). We argue that knowledge of this type cannot be found as neat packages, but as chaotic disorder of information pieces. That disorder

creates a tension that forces companies to either integrate the knowledge pieces to business opportunities or die. Then, the question is: how can this sort of knowledge be integrated? The only way is to create networks (see Sarasvathy 2001; Sarasvathy & Dew 2005). We cannot know even a half of the things that would have good to be known. That is to say that the ways to separate different knowledge pieces from different masses of (less necessary) information created by different people are needed (Gailly & Belousova 2009). In this way, we must be in or have an access to the different types of social and virtual networks, in which multiply knowledge pieces meets us (see Coviello & Munro 1995; Steyaert & Katz 2004). The social and virtual capital is needed, because the strategic management of every important relationship for the creation of new businesses is also about working with the value network (compare with Sarasvathy & Dew 2005).

As argued above, the way of how business opportunities can be created is based on the intelligent integration of the knowledge pieces that are located into the in-between space (see Hjorth 2003). On this ground, the difference between opportunity creators and non-creators is not depending on the differences in the personality or characters, but on the ways a human creates the social networks in an intuitive way. Summing the discussion above up, the continuous change in the business environment creates spaces for business opportunities that can be understood as the frames to create new businesses (compare with Wood & McKinley 2010). Thus, this sort of movement from the rational logic to the intuitive social spaces of business opportunity creation is consisting of:

1. strategically flexible ability and creation of new networks,
2. need for social as well as virtual networks,
3. focus on the core competence that activates networks,
4. dynamics of business environment,
5. value creation by finding constantly new ways to create value,
6. broad network of actors that as a whole understands the value creation for customers,
7. strategic construction of the network of actors in order to work towards a socially shared and accepted direction in a value creation,
8. change in a way of thinking – from the idea of a company as a self-satisfied unit to the image consisting of a company as a part of the network that is not a lonely island, but it creates value as a dynamic whole.

There seems to exist many knowledge anomalies: an outstanding amount of knowledge is available, but there is simultaneously number of actors, who are not aware of that knowledge (see March & Simon 1958; Cohen & Levinthal 1990). This gap makes it possible to create business opportunities by those companies that can integrate knowledge pieces in an intuitive way (compare with Burt 1992). But, this is possible only as long as there are broad enough networks, in which the newest knowledge pieces face each other (see Görling & Rehn 2008; Dew 2009). Moreover, these networks need to be familiar and confidential enough to reach trust and legitimation (De Clercq & Voronov 2009). Let us briefly illustrate an example of the Finnish case company Mawell Inc., where the intuitive way to create networks for the basis of business opportunities can be seen (Box 1).

Box 1. Case Mawell Inc.

Petri Morko is working as a Developing Manager of Mawell Inc. Petri's crucial task is to challenge the current business of Mawell Inc. and create new bases for businesses. Mawell Inc. is a Finnish company that operates in the well-being technology industry, and is one of the most rapidly growing companies in Finland. Petri Morko's work is coloured with the enthusiasm and networking. Petri thinks that the pure individual enthusiasm and enriching work environment for the co-operation should always be in the core of entrepreneurial actions, in which new things are created. On this ground, Petri's attempt is to find out enthusiastic things, to integrate them to the common interests, and to create new business opportunities on that base. He says that he is discovering individuals and communities in order to create the enthusiastic discussions and enriching interaction. His task is not to slavishly execute the strategy, but to problematize and create new business opportunities simultaneously. Swimming against the mainstream opens up creative counterarguments, but mistakes take also place then. According to Morko, mistakes are, however, the only way to reach the routines that gradually enable the solid creation of new businesses. One of the most important slogans proposed by Petri Morko is as follows: "the integration of little splinters together with other people through fruitful discussions".

As Box 1 illustrates, not the systematic, but intuitive way to create networks, discussion, and enthusiasm seems to be the core of Petri Morko's work. The target of this type of doing is to get people involved into communities, in which it is possible to create new things rather than repeating something that already exists. This makes, of course, people to contradict with each other, but the target is to get the enthusiastic discussions and interaction to emerge. It can be thought that in the case of enriching interactions, the behaviour is seldom straightforward or rational. In contrast, those types of social interferences are full of intuitive discussions that produce ideas that might be hitherto overlooked (compare with Shane & Venkataraman 2000; Shane 2003). For example, in some Finnish companies that are producing computer software call those intuitive sense-making processes as "de-coding" meaning for them something that is opposite to their basic coding work, which can be interpreted to be rational in the technological sense (see Weick 1979; Weick 1995).

DECISION MAKING HEURISTICS IN THE EXPLOITATION OF BUSINESS OPPORTUNITIES

As it has been argued in the previous chapter, understanding of fragmented knowledge is the most crucial element in aspiring viable and profitable business (see Kim & Mauborgne 2005; Sarasvathy 2001; Sarasvathy & Dew 2005; Fletcher 2006; Hjorth 2007; Dew 2009). However, it is heard very often that "if knowledge is so broadly fragmented, what can we do then?" or "isn't it up-giving and wandering around like a blind, if we are not formulating strategic plans, declaring concrete targets, accomplishing budgets, and evaluating results, is it?". From the perspective of this study, these things are needed as well, but in the fast

changing business environment there is not enough time to make trustworthy decisions based on the exact forecasts and rational reasoning (compare with Shane & Venkataraman 2000; Shane 2003; Venkataraman 1997; Davidsson 2006; Delmar 2006). Business activities are about speculation nowadays. In these types of settings, it is wiser to be almost correct in time than exactly correct late (McGrath & McMillan 2000). In this line, the exploitation of a successful business opportunity usually precedes a couple of mistakenly exploited errors.

From the perspective of this paper, dynamics in terms of fragmented knowledge means that the business environment is organic, changing, and processual system (see Steyaert 2007 see also Tsoukas 1996; Engeström & Blackler 2005). On this ground, the creation as well as exploitation of business opportunities is very difficult to be predicted, and it does not ever settle down (McGrath & McMillan 2000 see Wood & McKinley 2010). This unpredictability can, for example, be seen as a shortening trend of life cycles of products. In addition, unpredictability can be seen in the cases, in which the tiny changes create huge and unexpected effects (i.e. butterfly-effect). It cannot be trusted that the technology will last long. The preferences of customers are not stable while the companies, rivals, and partners are dying, bearing, growing, and becoming smaller. In these types of dynamic systems, the value of the future forecasts, in which the data is coming from the past or even present events (i.e. logic of causation), is quite a poor (Sarasvathy 2001; Sarasvathy & Dew 2005). If some part of the world can be predicted, the result may differ considerably from the prediction as a whole (see Kim & Mauborgne 2005; Dew et al. 2004). Naturally, this makes it less productive to trust to the rational way to exploit a business opportunity (see Baker & Nelson 2005; Alvarez & Barney 2007).

Due to the fact that the future is changing rapidly, it is more reasonable to handle the moments that we are living in just now (i.e. the logic of effectuation) so that the future needs not to be predicted (Sarasvathy 2001; Sarasvathy & Dew 2005). In Sarasvathy's (2001) sense, if you can handle issues that you are doing just now, the future will not emerge you as a surprise. Therefore, the inordinately amount of resources that are put to the prediction of the future (e.g. optimal decisions) are done in vain. Optimization or allocation of resources works fine in situations, where the starting point as well as the end of the processes is well known (Sarasvathy, Dew, Velamuri & Venkataraman 2003 see also Companys & McMullen 2007; Buchanan & Vanberg 1991). However, the energy that has been put on the current activities is more important nowadays. This is also the best way to be prepared for the future. This means that the heuristic decision-making works more efficiently than the rational reasoning in terms of business opportunity exploitation.

The crucial elements that are used when an actor is exploiting a business opportunity with the decision-making heuristics rather than rational reasoning are the preparation for surprises with the principle of affordable loss, decentralization of risks, and building up alternative action plans (Sarasvathy 2001; Görling & Rehn 2008; Dew 2009). This is about exploiting a business opportunity that is based on pieces of knowledge that are located in the in-between space (see Hjorth 2003). Stepping into the in-between space is doing things well while the process is going on without a clear understanding of the uncertain future, because that cannot be predicted (Sarasvathy 2001; Dew et al 2004). In this paper, we are willing to emphasize the importance of the affordable loss, because we found that nobody is willing to take risks, if the possible mistake cannot be stood for. Let us briefly illustrate an example, where the affordable loss can be taken into account (see Box 2).

Box 2. Second Life as an innovation group.

Innovation groups are examples of the fact of how difficult it is for companies to understand the fragmented knowledge at the market. These groups are not the places, in which people innovate together, but they are integrations of games, virtual life, curiosity, and innovating. The responsibility of the creation of new businesses has been transformed to the customers while the companies need to organize their actions due to the actions of them. Companies do not use innovation groups not only in terms of testing their business concepts, but innovation groups are also equal places for all of the companies to create new ideas. Second Life is a virtual world, where new ideas are developed and tested collectively with the principle of affordable loss. The value of Second Life is a safe and socially shared place to exploit business opportunities as a basis for new businesses.

As Box 2 illustrates, Second Life could be a space, where the actors can test the markets and exploit business opportunities without financial risks (except of wasted time). Second Life is a cyberspace that makes it easier to be prepared for the uncertain future when exploiting a business opportunity. Moreover, the use of Second Life does not require financial resources, because whoever can join into it. It works in a similar way than Facebook or LinkedIn due to their way to decrease the transaction costs of getting touched (Facebook in a personal and LinkedIn in a professional manner). We argue that the social mechanisms or principles in the exploitation of business opportunities are as follows:

1. Do and test things directly and forget the long-run predictions.
2. Be closely with potential stakeholders and partners so that you can create new understanding of customers, technologies, and other companies.
3. Appreciate experiences of your employees, who are all the time contacting your customers.
4. Build partnerships actively.
5. Stand for changes and uncertainty, and do not ever set stationary plans, but be flexible in a way that fits together with the current situation, instead.
6. Trust for the decision-making heuristics, experience, and feeling. In addition, accept mistakes, but be ready to learn from those mistakes.
7. Try to get things well done here and now.
8. Dare to reject inefficient ideas, products, services, and businesses (e.g. excess features that are not included to those, which customers would like to pay for).
9. Admit that change is an ongoing state of affairs, and that things will not ever be finished. This eases distress appeared due to the continuous change and relieves to use change as a positive motor in the exploitation of business opportunities.

In terms of business opportunity exploitation, fragmented knowledge and change together is about hindrances to understand the surrounding business environment, because the nature of this sort of business environment consists of many different parts affecting to each other (see

Baker & Nelson 2005; Kim & Mauborgne 2005). This is also why the logic behind the business environment is almost impossible to be predicted. What can an individual actor do in these types of circumstances concretely then? He or she needs to use decision-making heuristics and blurry logics as a routine of doing things. This means that moderately correct activities are enough and mistakes will, therefore, be made, but the mistakes do not matter for the sake of learning (McGrath & McMillan 2000). In the same manner, companies should have routines by which fragmented knowledge and change can be stood for and handled in exploiting business opportunities. This is not to say that things are done negligently. Things should be done in a way that the real possibilities and affordable losses are recognized and in a way that the most essential matters are completed well (compare with Sarasvathy & Dew 2005). On this ground, the successful companies can be distinguished from unsuccessful ones, because they:

1. have a routine to adapt into the current situation,
2. have routines that are more closely to worlds of customers,
3. problematize and reformulate their routines at every turn,
4. have a routine to re-create,
5. have routines to talk and create new views of their business environment,
6. have a routine to be in a storm rather than safety at home.
7. allow incompleteness and mistakes,
8. test activities, whose repercussions can be stood for,
9. discuss actively and share their knowledge to others so that they can get the knowledge of their partners or even rivals back,
10. step into foolish adventures, because it is possible to discover unexpected surprises in that way,
11. integrate different pieces of knowledge regardless of the notice that there seem not to be any types of original connections between those pieces,
12. are curious for everything,
13. admit that you cannot control fragmented knowledge and change, but you can live with it – it does not operate in a way you probably want, but it carries you, if you allow it to carry,
14. let control to go for the sake of living with fragmented knowledge and change.

Fragmented knowledge and change really bother, if the targets in the exploitation of business opportunities are inflexible (compare with Göring & Rehn 2008; Dew 2009). In the case of inflexible targets, the business opportunity exploitation is presupposed to be in the stationary state (see Penrose 1959). However, our empirical examples of this study give evidence for the argument that the fragmented knowledge and change are the issues today (see Gailly & Belousova 2009). Moreover, fragmented knowledge and change do not bother, if the affordable loss and flexibility in the exploitation of business opportunities have been taken into account well (see Sarasvathy 2001; McGrath & McMillan 2000). Our point here is that the most crucial barrier to live with the fragmented knowledge and change is the rational worldview, because in assuming so there is the pre-requisite of control in the exploitation of business opportunities (see Shane 2000; Davidsson 2006; Delmar 2006). When exploiting the business opportunities under the principles of fragmented knowledge and change, we argue that the decision-making heuristics works more efficiently than the rational reasoning due to its way to allow errors that make it easier to change the direction, if necessary (see Sarasvathy 2001).

OF THE NEW BUSINESS – ARE WE HUNTING MICE OR MOOSES?

Due to the increasing competition in the market, it seems to be obvious that the success factors of the companies (i.e. how to create new businesses under fragmented knowledge and change) have been changed drastically. As described above, the creation and exploitation of business opportunities are important building blocks when creating new businesses (see Sarasvathy et al. 2003; Companys & McMullen 2007). Assuming that uncertainty is always present, it is not a piece of news that the fragmented knowledge and change make the creation of businesses more complicated – a piece of news is, in contrast, that the fragmented knowledge and change are actually the best conditions for the creation and exploitation of business opportunities, if they are understood correctly (Alvarez & Barney 2007 see Knight 1921 compare with Shane & Venkataraman 2000; Shane 2003; Burt 1992). In this, the first part is the creation of new business opportunities and the second one is the exploitation of the best ones rapidly and assertively (Kim & Mauborgne 2005 see Wood & McKinley 2010). There is a strong likelihood of failure in the case of carefully created or moderately exploited business opportunities due to the delays to launch products or services to the market (McGrath & McMillan 2000). Moreover, repeating things that have been already done by the others leads often to the collapse as well. In contrast, the actions should be put on the ongoing move between the creation and exploitation of business opportunities, but not on forecasting the risks of potential failure (Sarasvathy 2001).

Under fragmented knowledge and change, it is not possible for a newcomer to produce copies of existing products or services slowly, because the customers do not always recognize the benefits – even though the existing alternatives would have a lower quality (see the idea of design thinking proposed by Brown 2008). Being late means easily that time and money will be consumed while the potential business opportunity may not be exploited. The reason is that time passes fast and the world changes more rapidly than the reactions of firms can ever be (see Görling & Rehn 2008). In contrast, it is needed to create opportunities with the inadequate information (i.e. stepping into the in-between space and grasping business opportunities in it) and then exploit those business opportunities assertively. Thus, it is costly to be slow, although slowness and securing – resource based thinking more generally – are very common bases for the founding and management of the new ventures (see McGrath & McMillan 2000 compare with Penrose 1959). In the creation of profitable businesses, we argue, the creation and exploitation of business opportunities need to be interlinked while the intuitive logics in the former and heuristic decision-making in the latter lead such the activities (see Davidsson 2006). Let us propose an interesting case that illustrates how the businesses can be created in an ongoing interaction of intuitive creation and heuristic exploitation of a business opportunity (Box 3).

Box 3. Case Helmi Technologies, Inc.

Helmi Technologies, Inc. develops a technology that is used in the development of www-based applications and user interfaces. According to Juho Risku (CEO and entrepreneur of Helmi Technologies, Inc.), their activities are based on business opportunities. On this ground, the creation of business opportunities is the basis of getting people into the social interactions. The commitments of business partners have often been emerged very fast. Usually they are based on business opportunities rather than on the common history. Therefore, the business opportunities of partners have been built closely to business opportunities of Helmi Technologies Inc. That is their way to create new businesses. The creation and coordination of social networks (in the opportunity creation phase) as well as the exploitation of business opportunities have not based to the execution of the strategic long-run targets, but on the bundle of interconnected business opportunities. In the creation and exploitation of business opportunities, the networks together with business opportunities

integrate the different types of actors together. However, the networks are also closed down fast. The key point is that a business opportunity should be created and exploited together with partners. One of the most important slogans proposed by Juho Risku goes as follows: “when you give an opportunity for business to others, you will also get an opportunity on your own”.

As described in Box 3, Helmi Technologies, Inc. works intensively with business opportunities. The interactions with their business partners are closely engaged with the creation of business opportunities (i.e. in the social in-between spaces) due to the fact that the commitments are not based on the previous actions, but on future potentialities instead. In describing the creation theory of business opportunities, Alvarez and Barney’s (2007, 15) put it, “entrepreneurs do not search – there are no mountains to find – they act and observe how consumer and markets react to their actions”. Thus, the creation of business opportunities is a social and intuitive process that is linked with the exploitation of business opportunities in the entrepreneurs’ ways to act and observe the feedback from the audience (i.e. consumers and the markets). As argued above, the exploitation of business opportunities is about making heuristic decisions (i.e. trials and errors of what works and what does not) by entrepreneurs (Görling & Rehn 2008; Dew 2009). We are willing to highlight here that the creation and exploitation as entrepreneurial actions are always interlinked (compare with Shane & Venkataraman 2000; Davidsson 2006; Alvarez & Barney 2007). To sum up, the creation of new profitable businesses is based on the following types of hands-on principles:

1. Create passionately new business opportunities. This is the most important work of yours.
2. Use your time and energy for the creation of the highly valuable business opportunity. A business opportunity that has been exploited elsewhere will fail with the very high likelihood.
3. Exploit a business opportunity forth with the high frequency, when markets are attractive.
4. Exploit the most attractive business opportunities only.
5. Focus your actions on the exploitation of business opportunities and be flexible in this.
6. Integrate all of the intuitive activities of all the relevant persons to the creation of business opportunities.
7. Show other people that you are completely in this process. This is the way of how others will also be in.

Based on the arguments proposed above, it could be interesting for future scholars to discuss the entrepreneurial process as a whole bundle of everyday activities the entrepreneurs are doing rather than limiting the discourse to the views that contradict with their assumptions of the very nature of artefacts, constructs etc. that are found to be linked with entrepreneurship (Steyaert 2004; Steyaert & Katz 2004; Rindova et al. 2010 see also Hjorth et al. 2008). In so doing, context-dependence as well as creativity aspects should be taken into account in a detailed way (Hjorth et al. 2008). So far, it seems to be so that the current scholars have been put their actions on describing the nature of opportunities (e.g. objective artefacts versus subjective creations) rather than problematizing what entrepreneurship actually is and what it means for those, who are named to be entrepreneurs (see Steyaert 2004; Steyaert & Katz 2004). There is a growing concern to see entrepreneurship as everyday creative actions that also give space for the discourse of institutional entrepreneurship (see Levy 2008).

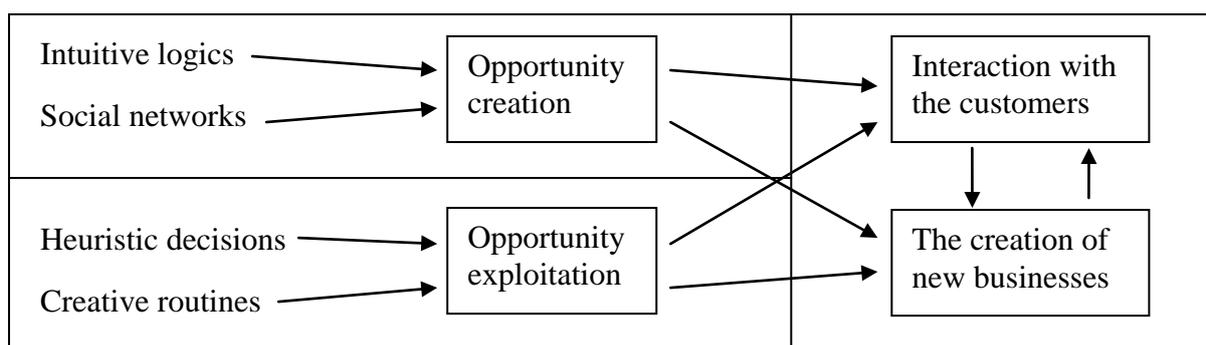
THE FRAGMENTED PIECES OF KNOWLEDGE, OPPORTUNITIES, CUSTOMERS – A NEW BUSINESS

Without a good business opportunity, there will not be a good commercial business, but not vice versa, either. A simple issue that we have found is that those actors, who have done

regimented and tight work in exploiting the business opportunity will be successful in the end (compare with Alvarez & Barney 2007). Nothing will be sold automatically. Moreover, we found that the every single too risky project should be stopped when exploiting the business opportunities. The successful ventures work simultaneously with many separate business programs that are always regarded as step-by-step learning processes. This gives evidence for the argument that the creation of business opportunities is an intuitive and social action, where the actors step into the in-between space in order to gather, analyze, and create the business opportunities by using the pieces of fragmented knowledge (see Hjorth 2005). This type of knowledge is available, but all of the actors do not see it clearly. We argue that the reason to not see the pieces of fragmented knowledge is the actors' inadequate abilities to get out of the rational worldview that hinders intuitive sense-making processes (see Weick 1979; Weick 1995). In line with that, rationality creates a system that is irrational in the meaning of the business opportunity creation.

When creating business opportunities, there is always a clear link with the exploitation. The decision-making heuristics in the exploitation of business opportunities are not separated from the creation. For example, IBM tries to understand better the commercial potential of their business opportunities by using Second Life. Second Life has been established in 2003 by Linden Lab, and when writing this paper there is about two million registered users in Second Life. In the case of IBM, Second Life is used in trying to collect the separate pieces of fragmented knowledge together, and create new understanding of the ways how the virtual games, for example, influence on customers' lives. Due to the outstanding number of users, Second Life proposes a cyberspace, where the ideas can be divided socially (the intuitive creation of business opportunities), but it also serves a virtual test markets in order to reduce the potential risk of failure (i.e. affordable loss) in the real life (the heuristic decision-making in the exploitation of business opportunities). Figure 1 illustrates our way to see the creation of new businesses as an ongoing interaction between the creation and exploitation of business opportunities.

Figure 1. The conceptual model of the creation of new businesses under the fragmented knowledge.



The success in the creation of new businesses requires the purposeful and persistent work that is based on the market information (see Figure 1). That information can be used as knowledge only piece by piece. In this paper, we have illustrated how the pieces of fragmented knowledge can be gathered, analyzed, and then created as a form that can help business actors in their aspirations to create new businesses. Figure 1 illustrates how the creation of opportunities together with the exploitation of them constructs the social system between new businesses and customers (compare with Wood & McKinley 2010). It seems to be that the current business life is going to the direction, where it is less and less possible to

forecast the future events (see Dew et al. 2004). Then, the business actors need to gather the pieces of knowledge from the enormous bundle of information so that they can make sense what is actually going on at the market place (see Weick 1979; Weick 1995). In this way, it is not possible to be sure, if a business opportunity of any type will be a success or not if it is going to be exploited. In contrast, we argue that the most important and effective way is to create the business opportunities with the intuitive logics rather than rational reasoning and do this in social networks that share the same ideas and enthusiasm of business opportunities.

In exploiting those business opportunities, we found that the most important things are to make the decisions that are based on the heuristics. In addition, it is crucial to construct routines that support these types of decisions over time due to change and the fragmented nature of knowledge (compare with Cohen & Levinthal 1990; March & Simon 1958). We highlight that the creation and exploitation of business opportunities occur simultaneously, as Figure 1 illustrates (see Shane & Venkataraman 2000; Alvarez & Barney 2007; Companys & McMullen 2007). Our conceptual framework contributes to the opportunity creation discourse by proposing a hands-on approach for those who are interested in the creation of new businesses. In it, we emphasize that the rational reasoning should be replaced by the intuitive logics in the case of business opportunity creation; the entrepreneurs are those who create the intuitive mountains in the social interactions (i.e. to step into the in-between space and grasp opportunities in it) and then heuristically test them at the markets (see Hjorth 2003; Hjorth 2005; Fletcher 2006; Steyaert 2007). The maintenance of that type of system needs routines that reproduce the social system. And because an entrepreneur is not like a lonely island (e.g. a host of individual qualities and/or personality traits), up-to-date businesses need to be executed closely to the customers. On this ground, we argue, that the Robinson Crusoe story can be forgot in terms of entrepreneurship in the 21st century.

The arguments of this paper give evidence for the need to continue research that considers the creation of new businesses from under the fragmented knowledge. We propose that the so-called butterfly-effect (i.e. a small stimulus that generates outstanding effects/outcomes) should be taken into consideration in a more detailed way. It seems to be that the small stimulus is the one that we can handle, but due to the fact that the large effects are out of our control, we need not to predict them (Sarasvathy 2001; Sarasvathy & Dew 2005). Hence, we suggest that the future research could investigate the everyday actions the entrepreneurs and their stakeholders are doing together via their social networks (see Steyaert & Katz 2004; Hjorth et al. 2008). The idea behind this suggestion is that the creation of new businesses is a relational process that occurs through dialogue and interaction with and between of the social systems in the particular context (Steyaert & Katz 2004; Fletcher 2006; Hjorth & Peltzer 2007). For example, the social media could be an interesting context of doing that kind of research.

Examples of the butterfly effect are multiply. Let us illustrate a couple. For example, if we try to forecast the possible effects of the video clip on YouTube, we see it is almost impossible: if somebody has done something that he or she wants be secret, that secret can be known by the millions of people in a few seconds. It is exactly the same thing with Facebook or LinkedIn. On them, it is possible to reach almost your entire network (your “friends” on Facebook and “connections” on LinkedIn) very fast. But this is not only linked with the technology. Let us think about the buying process of laptop, for example. There are an outstanding number of issues that have effects on that act; gender, age, education, preferences, incomes, social status, and needs of the customer to just mention a few. Moreover, the way how the laptops have been advertised, the price, looks, and available

models of the laptop, know-how of the clerk, feelings of customers as well as the clerk, and the location of the store are just some examples of a bundle of stimuli that are hard to get forecasted from the perspective of a company. Because those kinds of things cannot be forecasted, it is hard to gather the relevant knowledge of effects of these types of transactions. Because these types of issues mentioned above were not parts of daily lives of people ten years ago or so, we can ask here that why, then, the research concerning the creation of up-to-date businesses has not been updated in a similar way?

CONCLUSIONS

Summing up, there can be seen three elements behind the creation of profitable businesses under the fragmented knowledge and change. Firstly, the fragmented knowledge and change renew the business environment drastically while it is possible to create new business opportunities all the time (see Wood & McKinley 2010). In this study, we found that this happens through intuitive sense making and social networking (see Weick 1979; Weick 1995). Secondly, the exploitation of business opportunities is based on the decision-making heuristics (i.e. trial-error types of decisions) and routines that support and maintain the system that is never static in its very nature (see March & Simon 1958). We illustrated that the purpose of social networks is to get people into the physical or virtual groups (e.g. Second Life, Facebook, LinkedIn etc.), where they step into the in-between space in order to, gather, analyze, and create knowledge that is not located in the neat packages, but in the chaotic form instead (see also Gailly & Belousova 2009). Thirdly, the process of regimented and goal-oriented work that seeks to create and exploit the business opportunities is coloured by the commitment of crucial stakeholders (such as customers) that are parts of the creation of new businesses as well (see the idea of design thinking proposed by Brown 2008). Therefore, the creation and exploitation of business opportunities are interlinked phenomena that create and maintain one another (Görling & Rehn 2008; Dew 2009 see Alvarez & Barney 2007 compare with Shane & Venkataraman 2000; Shane 2003).

The fragmented knowledge has made the business environment so difficult to being understood that we need to forget the ideas of strategic plans, forecasting, and control (compare with Sarasvathy 2001; Sarasvathy & Dew 2005). The conventional strategic thinking, that has its roots in the resource based theory (RBV), starts from the ideal of control – being a market leader, conquering the hill, and being its king. This requires significant investments to the rational governing. Nowadays, the markets are changing so rapidly that control of this is not possible or even attractive anymore. In contrast, the social networks, where the actors step into the in-between space in order to gather, analyze, and create fragmented knowledge are more important instead (see Hjorth 2003; Steyaert & Katz 2004; Hjorth 2007). In those spaces, it is possible to handle the pieces of knowledge that are important for the creation of business opportunities. In-between spaces create also an entrepreneurial tension (see Hjorth 2007). By that type of tension, the approach is moving from being the exactly right tomorrow to the direction, where it is more reasonable to be almost right today (McGrath & McMillan 2000).

We argue that time is also a crucial part of the exploitation of business opportunities. The current literature starts from the assumption that the exploitation of business opportunities is just introducing the means-ends frameworks (i.e. business opportunities) to the markets.

However, we argue that it is also crucial to understand the needs of markets more clearly than the previous scholars have emphasized so far (see Shane & Venkataraman 2000; Shane 2003; Venkataraman 1997). In this study, we found the decision-making heuristics to be important. This means that those entrepreneurs, who actively test their ideas in a way that reduces the possible risk of failure (e.g. in Second Life) and exploit only the best business opportunities, will be successful more likely than those, who put much energy on forecasting the future (see Sarasvathy 2001; Sarasvathy & Dew 2005). As mentioned above, it seems to be that forecasting is more and more difficult nowadays. That is why we argue that the creation of the routines supporting and maintaining heuristic ways of decision-making help entrepreneurs to introduce business opportunities that are profitable in the commercial manner (see Kim & Mauborgne 2005).

The creation of new businesses seems to be an interlinked interaction with the creation and exploitation of business opportunities (compare with Shane & Venkataraman 2000; Alvarez & Barney 2007). In this, the customers need to be kept closely to the creation of new businesses so that the products or services will serve the needs that are really important for customers. On this ground, competitiveness is about being in the correct places and knowing certain persons so that the creation as well as exploitation of business opportunities can take place before others – the window is open only a short, but a critical moment. At that moment, a business opportunity can be exploited as a new and profitable business.

The creation of new businesses can be compared to the game. However, the rules of that game need to be rewritten due to the rational assumptions concerning the creation of new businesses proposed by the mainstream literature of entrepreneurship. When you are ready to conquer the hill and to be its king, you need to be familiar with the fragmented nature of knowledge. Conquering the hill is challenging, but if that hill is small enough or if there are many tiny hills that are overlooked by rivals, then the conquest may be possible. The second and maybe better way to conquer to hill is to acquire partners and to grow bigger with them. The third way to create new businesses is to get involved into a clan. Then it is possible to get an access to the secure space of a strong leader, who keeps the bad boys away. The fourth way is to be so talented that the others need you. The fifth way, which has a link with the first one, is to be the bad boy and eliminate the rivals. The sixth way is to increase flexibility, proactive sensitivity, and adaption in a company. The seventh way to create new businesses could be the integration of the six ways described above. However, the rules of that type of game do not allow all of the flowers to be bloomed. You end up in the game whether you like it or not. But fortunately, the nature of the game and way that you use when playing such a game can be chosen by you.

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