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Adam Smith  
Business School

**A TEST OF THE CORRIDOR PRINCIPLE OF ENTREPRENEURIAL BEHAVIOUR.**  
**A STUDY OF COLOMBIAN ENTREPRENEURS**

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A dissertation submitted in part requirement for the  
Master of Business Administration

Adam Smith Business School  
University of Glasgow  
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## ABSTRACT

The opportunity concept has increased its influence in the entrepreneurial field as it has been identified as crucial for the entrepreneurial process understanding. This concept has been a relevant object of discussion by entrepreneurship researchers, but there are still several points of disagreement regarding the nature of entrepreneurial opportunity and how it is recognised. For this reason, there is a debate among several scholars on how opportunities are identified, discovered or created and how the entrepreneurs do that. In the literature it is easy to find two major perspectives on the source of entrepreneurial opportunities, namely the Schumpeterian and Kirznerian approaches. In 1998, Rondstadt made an additional contribution to the opportunity identification research. He introduced a new concept called the Corridor Principle which states that the single act of setting up a business allows the entrepreneur to identify additional venture opportunities. The aim of this dissertation was to test the Corridor Principle in a sample of Colombian entrepreneurs but also to attempt understanding how this principle is related with the entrepreneurial recognition approaches. The major finding was that this principle is still valid for the Colombian entrepreneur's sample. The principle has been ignored as a relevant opportunity recognition explanation by the entrepreneurship's scholars.



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## 1. INTRODUCTION

Opportunity recognition has a pivotal role in entrepreneurship because without opportunities it is not possible to have an entrepreneurial process (Shane, 2003). Most entrepreneurship's researches have mainly focussed on two main streams of research and the Corridor Principle could complement the opportunity recognition research. The relevance of this work is that it validates that principle for first time in the entrepreneurial ecosystem in Colombia, and it provides evidence on how the principle could explain how individuals recognise opportunities.

Entrepreneurship has important influence on the country's economic success so it is relevant to fully understand the entrepreneurial process (Casson, 1982). An important element of the entrepreneurial process is the opportunity concept as it represents the initial point of this process (Baron and Shane, 2008). The opportunity concept gained attention by entrepreneurship literature after it was highlighted by numerous researchers as essential to understanding entrepreneurship (Hansen, Shrader and Monllor, 2011). This concept has a pivotal role in entrepreneurship as without it the entrepreneurial activities cannot exist (Short et al., 2010). In addition, an entrepreneur can have outstanding cognitive skills such as intelligence and creativity, but without an opportunity to exploit his career would not have any meaning. Given the importance of the opportunity concept several definitions have emerged from entrepreneurship research (Buenstorf, 2007). As a result, the opportunity concept has been a relevant object of discussion for entrepreneurship researchers, but there are still diverging points of view regarding the nature of entrepreneurial opportunity and how it is spotted (Eckhardt and Shane, 2003). Moreover, a full understanding of opportunity identification process is one of the most relevant topics in the entrepreneurship field (Gaglio and Katz, 2001). Furthermore, as the characteristics of entrepreneurial opportunities might influence the entrepreneurial process, it is important to fully comprehend them (Shane, 2003). Consequently, entrepreneurship would benefit from a deeper understanding of how these opportunities are identified and exploited by individuals.

Opportunities need to be identified, discovered or created, and the literature has been concerned with how entrepreneurs do that (Alvarez and Barney, 2007). To explore this, business scholars have been employing a vast variety of empirical ways and perspectives (Hansen, Shrader and

Monllor, 2011). Despite the diversity, it is still possible to identify the two major perspectives on the source of entrepreneurial opportunities, namely Schumpeterian and Kirznerian (Shane, 2003). These perspectives arise as the theoretical response from the realisation that entrepreneurship is evolving from the individual-entrepreneur focus to include external elements such as context and conditions of the entrepreneurial activity (Korsgaard, 2013). The Schumpeterian approach is linked to opportunity creation, while the Kirznerian one is associated with opportunity discovery (Shane, 2003). The discovery view argues that opportunities are discovered individually by an alert entrepreneur (Kirzner, 1997), while the creation view argues that opportunities are created by the actions and reactions of entrepreneurs (Baker and Nelson, 2005). The two perspectives have been under constant research and yet there does not seem to be a consensus over how entrepreneurs spot opportunities.

In 1998, Rondstadt made an additional contribution to the opportunity identification research. He presented a significant analysis and discussion on the multiple venture creation (Rondstadt, 1998). In this analysis he introduced a new concept called the Corridor Principle, which attempts to explain the multiple venture creation. Rondstadt (1998) states that the single act to set up a business allows the entrepreneur to identify additional venture opportunities. This principle takes insights from the two main opportunity source perspectives mentioned above and it is relevant to explain why the entrepreneurial career is dynamic. The aim of this dissertation is to test the Corridor Principle in a sample of Colombian entrepreneurs. This study uses a structured interviews methodology approach to investigate if this principle can be used in the Colombian business landscape to explain the entrepreneur's opportunity recognition through the multiple venture phenomenon. In order to do this, the present work will validate the hypothesis proposed by Rondstadt (1988) for the study sample, and also attempt to understand how this principle is interrelated with the entrepreneurial recognition approaches previously mentioned.

This dissertation is divided into six sections. The first section gives an overview of the recent developments regarding the opportunity concept as well as its source and recognition perspectives. The second section lays out the theoretical dimensions of the Corridor Principle. The next section is concerned with the methodology used for this study. The fourth section analyses the findings of interviews undertaken during the study. The last sections draw the discussion and conclusions.

## 2. LITERATURE REVIEW

### 2.1 Origins of the Opportunity concept

The opportunity concept in the entrepreneurship field has been studied for the last 40 years by business scholars. Léger-Jarniou and Tegtmeier (2017) point out that the first attempt to link the opportunity concept with entrepreneurship was made by the researcher Howard Stevenson in 1983. Stevenson and Jarillo (1990, p.23) mentioned in their work that entrepreneurship is "...a process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control". In addition, Stevenson and Jarillo (1990, p.23) define opportunity as "...future situation which is deemed desirable and feasible". These authors give relativist attributes to the concept: opportunities might vary from individual to individual as each individual has different perceptions, desires and capabilities. These capabilities would be influenced by individual innate skills, training and the competition in the market (Stevenson and Jarillo, 1990). Using this approach, the authors establish two factors that determine whether an idea could be an entrepreneurial opportunity. First, the idea should represent a positive growth prospective, and second the entrepreneur must believe that the idea is realizable (Léger-Jarniou and Tegtmeier, 2017). Moreover, Stevenson and Jarillo (1990) argue that as the entrepreneurship concept is highly associated with the individual willingness to pursue an opportunity, then a typical entrepreneur's trait is to be an idea's promotor. As a result, this attempt of defining the opportunity concept in the entrepreneurial field seems to focus on the behaviour and activities that the entrepreneur can perform in a specific period of time.

A different opportunity root is pointed out by Buenstorf (2007), who highlights that the origin of the opportunity concept comes from the Austrian economics school tradition. This approach is based on the premise that the activities of every entrepreneur are closely related to the market processes (Buenstorf, 2007). The author explains that entrepreneurial activities stemmed from human activities. The Austrian school essentially gives two roles to the individual: arbitrator and innovator (Bhidé, 2000). Consequently, the opportunities might be intentionally created by these activities, but might also be the unintended outcome of activities (Buenstorf, 2007). The opportunity concept was implicit in Hayek's work in 1945 when he indicated the arbitrageur's role in the discovering and exploiting the price's differences of goods. Hence, price's differences

perceived in the market allow the creation of opportunities. In fact, what makes a person an entrepreneur is the ability and the knowledge to recognize the difference in prices of goods and services in the market, and to exploit them for his or her own benefit (Buenstorf, 2007). As a result, the entrepreneur should recognize and exploit opportunities to pursue an arbitrage profit which will move markets to an equilibrium (Bhidé, 2000). By contrast, there is a different approach provided by another member of the Austrian school called Joseph Schumpeter, who based his contribution on the view of innovation. He introduced the concept of “new combination”, highlighting that an entrepreneur is a person who creates a new combination of resources and exploits it in the market (Buenstorf, 2007). The new combination creation process could be interpreted as the creation of an entrepreneurial opportunity (Buenstorf, 2007). This approach implies that opportunities are created by the individual after an innovative process. Despite this, the fact that under the Schumpeterian view the entrepreneur seems to be a creator of opportunities he or she is not an inventor, as Schumpeter clearly distinguishes between the figures of entrepreneur and inventor (Witt, 2002). According to Schumpeter (1934), opportunities can be classified into five categories: new products or services, new geographical markets, new raw materials or commodities, new machinery or manufacturing methods and new ways of organizing. Consequently, Schumpeter’s opportunity concept might imply that in the market place the opportunities can be exploited after an innovative transformation process performed by the entrepreneur.

The Austrian opportunity concept origin has initiated a debate regarding that entrepreneurial opportunities are provided by a competitive market or by alertness individuals (Buenstorf, 2007). Nevertheless, the Austrian school contribution has been used as a base for a vast proportion of entrepreneurship scholars, and it differs from the Stevenson and Jarillo’s (1990) contribution. This author develops a view of entrepreneurial opportunity nature that enriches the understanding of entrepreneurial opportunity and its relationship with the entrepreneur (Léger-Jarniou and Tegtmeier, 2017). The opportunity concept has been studied by several scholars during the last decades and the different approaches highlight the relevant role of individuals in the creation of opportunities.

## 2.2 Entrepreneurial Opportunity Recognition

As entrepreneurship involves that individuals take actions in order to identify an opportunity (Baron and Shane, 2008), the opportunity recognition has gained importance in the entrepreneurship field. Much of the current literature on entrepreneurial opportunity pays particular attention to the opportunity recognition (Shane, 2003). However, there is not a consensus among the entrepreneurship scholars about the definition of entrepreneurial opportunities and how the entrepreneurs identify them (Buenstorf, 2007). Despite the fact that opportunity recognition debate is mostly based on the Austrian school, Léger-Jarniou and Tegtmeier (2017) highlight that there is a previous work proposed by Stevenson (1983) which has been ignored by the entrepreneurship scholars. Stevenson's approach is based on the entrepreneurs and firms behaviour, according to this author the opportunities can be found by the entrepreneurs and firms in an innovative mix of old ideas which can be developed in creative way.

Technology changes, consumer economic changes, social values and political roles are some of the pressures that firms would face in order to recognise new opportunities (Stevenson, 1983). Using this approach, Stevenson (1983) argues that entrepreneurial opportunities can be created and identified due to the fact of the firm's efforts to face the mentioned pressures. This author states that successful entrepreneurs need to be creative, innovative and a promoter as the opportunity identification will demand that they are able to move beyond to pursuit the opportunity (Stevenson, 1983). Consequently, opportunities would not necessarily need to be identified after a process of innovation which might conduct to a disruptive output. By contrast, entrepreneurs can alter the existing ideas in order to break into new segments of market (Stevenson, 1983). In another study, Stevenson and Gumpert (1985) identify two different types of entrepreneurs' behaviour. One is the promoter behave who is the individual that feel confident in his or her ability to exploit new opportunities, while the second one is the trustee type who is comfortable with the status quo and no changes in the environment. In their analysis, Stevenson and Gumpert (1985) point out that opportunity identification could adopt an external and internal orientation. The external orientation is related with the market and the internal one is linked with the resources. Despite Léger-Jarniou and Tegtmeier (2017) argue that the approach mentioned above has been ignored by the Austrian School, Stevenson's (1983) theoretical developments have similarities with this school. In

particular the Schumpeterian opportunity nature is closely related with innovation and technological changes, so it seems as Stevenson's (1983) approach has not been ignore at all by the Austrian School.

### 2.2.1 The Austrian School Debate

As mentioned before the current debate is mostly based on the discovery and creation of opportunities provided by Kirzner and Schumpeter, respectively (Korsgaard, 2013). This view is supported by Shane (2003) who points out that the two major perspectives which attempt to explain the source of entrepreneurial opportunities are provided by Schumpeter in 1934 and Kirzner in 1973. These authors disagreed over how the information is used when an entrepreneur recognise an opportunity (Shane, 2003). This disagreement emerges as they have diverse starting points, because that their opportunity concept definitions differ one from the other. For example, for Kirzner (1973) an opportunity is like a dollar bill waiting on the floor to be used by an alert entrepreneur. In contrast, Schumpeter approach to opportunity concept is that an opportunity will require to spend capital in order to exploit it and the desire and commitment to exploit it only can be found in superior minds (Casson and Wadeson, 2007). For Kirznerian scholars the opportunity's source is related with differential access to existing information in the market (Shane, 2003). Then, the shortages and surpluses in the market which represent potential opportunities are created by the people's decision – marking errors, due to the fact they make decisions based on existing information. As a result, the decision – making errors are the consequence of people beliefs about the efficient use of resources in the market (Shane, 2003).

In the same vein, Companys and McMullen (2007) point out that individuals and firms in order to discover and exploit entrepreneurial opportunities are forced to value and experiment potential opportunities based on the limited and available economic information. In addition, the differences in this economic information lead to the existence of entrepreneurial opportunities (Companys and McMullen, 2007). In contrast, in his review of Schumpeter perspective Shane (2003) maintains that Schumpeterian perspective explains the existence of an opportunity as a result of new information which is produced by changes in technology, political forces, regulation, macro-economic factors and social trends. Therefore, Kirznerian opportunities seem to involve discovery



processes as the way to recognise them while Schumpeterian opportunities might demand the creation of new knowledge for its recognition. For this reason, Shane (2003) concludes that Schumpeterian opportunities present a greater risk than Kirznerian opportunities as they are very innovative and disruptive with the existing knowledge. **Table 1**, shows the comparison between the Schumpeterian and Kirznerian opportunities (Shane, 2003, p.21). A clear difference is pointed out by the two approaches, while one approach proposes individuals with disruptive behaves the other approach highlight the individual capacity to perceive pre-existing market information.

<b>Schumpeterian Opportunities</b>	<b>Kirznerian Opportunities</b>
Disequilibrating	Equilibrating
Requires new information	Does not require new information
Very innovative	Less innovative
Rare	Common
Involves creation	Limited to discovery

*Table 1. Schumpeterian Opportunities vs Kirznerian Opportunities*

### 2.2.2 Opportunity Discovery from an Individual Perspective

As noted by Shane (2003) the sources of Schumpeterian opportunities are easier to track than the Kirznerian opportunities as the last ones are idiosyncratic. Thus, the Kirznerian opportunity discovery process is based on the price system and it does not always allocate efficiently the resources in the market as prices do not reveal all the information, for example competitor's actions and low quality or low effort (Shane, 2003). For this reason, people would have to make decisions using something different that the information that is public in the market. This highlights a relevant fact in the discovery approach which is the role that the individual has in the discovery of opportunities process. As Casson (1982), claims the discovery of entrepreneurial opportunities would demand that the individual creates a new means-ends framework. Therefore, the discovery of opportunities process is a cognitive process and only could be done by individuals (Shane, 2003). In the same vein, Shane and Venkataraman (2000) suggest two reasons to explain the fact that people are able to discover opportunities that others are not able to see. These are: i) people have better information in order to identify an opportunity and ii) not all people have the same

cognitive properties to value the opportunity (Shane and Venkataraman, 2000). Moreover, the access to information mostly cover three aspects which are: life experience, social networks and search process (Shane 2003). In a posterior study conducted by Klepper and Sleeper (2005), it was shown that jobs with access to privileged information such as research and development and marketing make the discovery of opportunities easier. Apart from privileged information, contact with people who have access to information about potential markets, sources of capital and employees constitute a relevant source of information for opportunity discovery (Johansson, 2000; Shane, 2003).

There are a number of researches describing the role of the social networks in the opportunity discovery process. In 2002, Jack and Anderson reported that as much the entrepreneur was more involved with his or her social context the more likelihood of recognise opportunities. Similarly, Busenitz (1996) in a sample of entrepreneurs and managers found that entrepreneurs were more effective than managers obtaining information from people that they used to socialise. In the same vein, (Arenius and Clercq, 2005) provide an alternative approach to explain recognise opportunities using the network-based approach. According to the authors, individuals recognise opportunities through the value that they give to new information and this would be available for individuals when they are exposed to networks. As a result, the likelihood of obtain more new information and then perceive new opportunities would depend on the structure of the network which the entrepreneur is involved (Arenius and Clercq, 2005). This view is supported by Coleman (1990) who writes that network nature will influence the flow of information and the use of it by the individuals. Finally, Arenius and Clercq (2005) conclude that individuals who live in places denser populated are more likely to identify opportunities compared with people who lives in the country side. This conclusion is explained by the network cohesiveness level due to the fact that a more cohesive network would motivate people to access to information and the accuracy of the information will be higher than a network with less cohesion (Coleman, 1990).

On the other hand, the academic literature on opportunity recognition has revealed the influence of the absorptive capacity and the cognitive process in the opportunity discovery process (Shane, 2003). There are a number of published studies (Shane, 2000; Yu, 2001) that describe the importance of previous knowledge in the market as a catalyst for new information because this

allows to have a better response to new information about markets, production inventions and technology (Shane, 2003). Therefore, this might result in a higher likelihood to discover an opportunity in the market. There is some evidence that supports that individuals who possess key information about markets would discover and exploit entrepreneurial opportunities with less effort than individuals with no market information (Shane, 2003). In a study conducted by Gaglio and Katz (2001) is concluded that there are some people who are more skilled than other so that they are able to understand and evaluate insights, assumptions and relations in the market. These capabilities will increase the entrepreneur's ability to discover opportunities. In the **Table 2** (Shane, 2003, p.46) summarizes the individual differences that allow people discover opportunities.

<b>Access to Information</b>	<b>Opportunity Recognition</b>
Life experiences	Absorptive capacity
Social networks	Intelligence
Search processes	Cognitive properties

*Table 2. Individual Differences and the Discovery of Entrepreneurial Opportunities*

There are four categories in the cognitive process that individuals have that might influence in the opportunity recognition which are: intelligence, perceptive ability, creativity and not perceiving risks (Shane, 2003). Intelligence is a trait that increase the likelihood of opportunity discovery due to the fact that an intelligent individual would be more able process the information in order to identify an opportunity (Shane, 2003). This view is supported by Busenitz (1996) who founded that entrepreneurs are more likely to generate new ideas than managers. Moreover, individual's IQ might have influence in the quality and amount of opportunities that individuals might have and select during his or her career (Shane, 2003). The second individual's trait that might influence in the opportunity discovery process mentioned by Shane (2003) is the perceptive ability. The author claims that as entrepreneurs need to extract opportunities from the information that they receive from the market, they should have a greater perceptive skill than other individuals. Similarly, Bhide (2000) argues that entrepreneurs are those individuals in the society who have a superior ability to ascribe information to the proper source. According to Shane (2003), in the

entrepreneurship literature there are several studies which confirm that entrepreneurs have perceptive abilities that are suit better in order to discover opportunities in the market.

Creativity is the next trait mentioned by Shane (2003). This is closely related with the concept new means-ends previously explained in this chapter. When individuals need to establish a new means-ends framework they would have to use imagination and creative due to the fact it will demand an innovative solution to an open-ended problem (Sarasvathy, 2001). In his work Shane (2003) points out that entrepreneurs are those who might have a greater creativity than the rest of individuals. Sagie and Elizur (1999) support this view as they reported that in their study that small business students are more interested in achieve innovative and creative tasks than their general business students' peers. Finally, some studies (Tullar, 2011; Utsch and Rauch, 2000) seem to suggest that venture growth and employment are positively explained by individual's creativity. Consequently, creativity might be the reason why entrepreneurs can discover more valuable opportunities than other individuals in the society (Shane, 2003). The last individual trait mentioned in Shane's (2003) work is not perceiving risks. This argument is supported by the idea that entrepreneurs who are keen to see opportunities instead of risks, then they should be more likely to discover more opportunities in the market (Shane, 2003). An additional argument that supports the idea of not seeing risks as an advantage to spot more valuable opportunities is the self-efficacy concept. This concept could lead entrepreneurs to recognise opportunities where others perceive risks (Shane, 2003). It is clear the importance that individual's behaviour has for the Kirznerian approach as most of its theory seems to be relied on the individual cognitive traits and the result of its actions.

### 2.2.3 Opportunity Creation from a Market Disequilibrium Perspective

By contrast, as it was mentioned above the new information is a pillar in Schumpeter's opportunity creation theory. As the new information emerges as a result of changes in the equilibrium in the market, entrepreneurs are forced to figure out how to use this information to create a new combination of resources that ends in a new opportunity (Shane, 2003). Thus, the opportunities creation process could be disruptive for the market because of the introduction of the new information (Shane 2003). For these reasons, Schumpeterian opportunities are closely related with innovation and disrupting the prior knowledge, then these opportunities should represent a higher

uncertainty for the entrepreneur (Shane, 2003). There is empirical evidence that helps to demonstrate the recognition and existence of Schumpeterian entrepreneurial opportunities. In fact, one study conducted by (Bhidé, 2000) interviewed the founders of the 500 fastest-growing private companies in the United States and almost more than the 50% of them claim that they started their business as a result of a change in factors in the market such as regulatory scheme, technology or others external factor. As in the market can be several external factors which can influence the generation of new information for the Schumpeterian opportunities, Shane (2003) proposes group them in three categories: i) technological changes, ii) political and regulatory changes and iii) social and demographic changes.

#### 2.2.3.1 Technological Changes

A considerable amount of literature has been published on how technological changes might create opportunities. These studies provide explanation and specific examples on how these changes are source of entrepreneurial opportunities. According to Saemundsson et al. (2011) technological changes create a new and more productive way to allocate resources in the industries and this represents a source of entrepreneurial opportunities. In fact, in a study investigating the relation between technological changes and opportunity creation, Blau (1987) found that in the United States from 1948 to 1982 the rate of technological change is positive linked with self-employment rate. Based on the mentioned before, Klevorick et al. (1995) surveyed almost 650 managers over 100 types of businesses and they reported that the technological changes are a relevant source of entrepreneurial opportunities in their types of business. Moreover, this study showed that those types of business which are more related with the science industry are more likely to create and have entrepreneurial opportunities (Klevorick et al., 1995). Another stream of research is proposed by Shane (2001) who demonstrates that larger technological changes would cause a greater opportunities source. Furthermore, the author concludes that larger technological changes can provide greater changes in productivity then the opportunity's spectrum will be higher than a small technological change.

### 2.2.3.2 Political and Regulatory Change

While technology changes are important as a source of entrepreneurial opportunities as they allow people to allocate resources effectively and productively, the political changes and regulatory changes allow people to use these resources in different ways creating new productive combinations of them (Shane, 2003). Despite to the mentioned above, there is some research that shows a negative effect on the venture creation as a result of political changes. Moreover, there is not enough evidence to prove that businesses are able to perform better during political changes than others which were founded in different moments (Shane, 2003). However, some researchers argue that political changes as a consequence of war can create new entrepreneurial opportunities due to the fact that the military forces will need more military hardware and equipment (Shane, 2003). On the other hand, there is more evidence that supports that regulatory changes can be a source of entrepreneurial opportunities (Shane, 2003). A clear example of this was the effect on the United States economy after its government deregulated the electric utility industry (Shane, 2003). After the deregulation a wide range of new entrepreneurial opportunities emerged as a result of the creation of new markets and the way how participants made profits in that industry (Sine and David, 2003). In another study, Holmes and Schmitz (2001) found that after the US government's deregulated industries such as transport, telecommunications and banking they were able to innovate through a more productive combination of resources. Consequently, government deregulation might be a source of entrepreneurial opportunities as it can create and increase the demand for goods and services but also it can create subsidies to (Shane, 2003). Political changes do not seem to create except for of punctual facts such as wars, on the contrary these changes could generate uncertainty in the markets, then less opportunities could be created. Government deregulation might represent a higher opportunity source than political changes.

### 2.2.3.3 Social and Demographic Changes

Apart from technological and political and regulation changes, the socio-demographic changes are a source of entrepreneurial opportunities as they provide de economies of scales and additional demand (Shane, 2003). The economies of scales are relevant for some opportunities to occur especially in industries such as the telecommunications (Shane, 2003). In addition, urbanization appears to have a close link with the source of opportunities as it promotes the communication

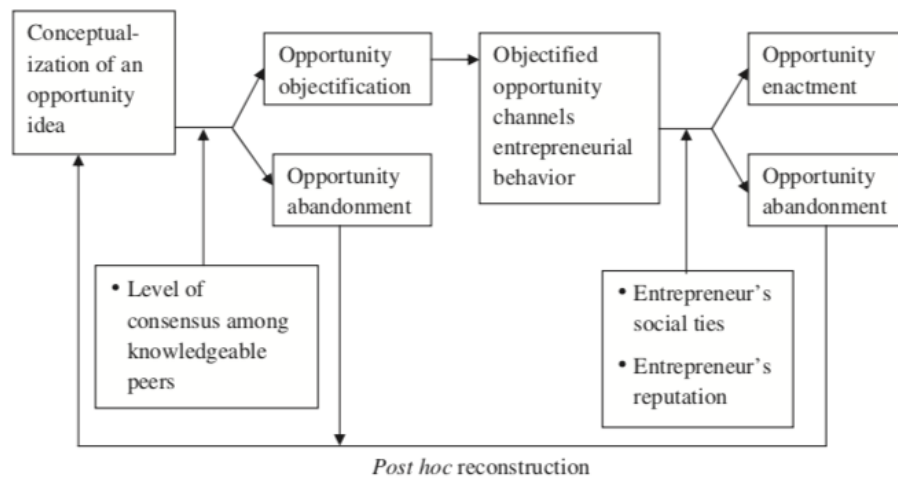
especially in areas with a significant population which results in better knowledge sharing of new opportunities (Bygrave and Minniti, 2000). Other authors (Evans and Leighton, 1989; Schiller and Crewson 1997) suggest that population density provides more valuable entrepreneurial opportunities as well as higher earning for self-employees. Also, population mobility can be a source opportunity factor as people moves they move with their information as well and this information makes new opportunities (Shane, 2003). An additional factor which might influence the opportunities generation is the access to educational infrastructure such as universities and research programs. Universities with strong and prestigious research faculties are more capable to generate intellectual property licenses than other universities (Sine et al. 2003) and these universities tend to be located in highly dense populated areas (Stuart and Sorenson, 2003). This new knowledge production by universities suggests that in the places where these universities are located the likelihood of entrepreneurial opportunities creation is higher than places without universities (Shane, 2003).

#### 2.2.4 Scholars' Contribution to the Opportunity Recognition Austrian Debate

The debate among the two opportunities source perspectives mentioned before has been enriched by contributions from several scholars. Wood and McKinley (2010) propose a discussion based on ontological and epistemological debate which involves two opportunities perspectives: objectivist and constructivist perspective. In their analysis Wood and McKinley (2010) define the objectivist perspective as the one which argues that opportunities are in the market available for all the participants. Similarly, Companys and McMullen (2007) notes that despite entrepreneurial opportunities exist in time and period they are not known by all the market actors. Consequently, opportunities are generated independently of the individual. On the other hand, the constructivist perspective argues that the opportunity is closely linked with the individual and its creation is the result of a process of social construction (Wood and McKinley, 2010). According to the authors, the objectivist perspective attracts the majority of the attention by the entrepreneurship scholars and they are ignoring that opportunities could emerge as the result of entrepreneur's actions as part of a social process. Despite the discovery approach recognizes the role of the individual in the opportunity origination, this perspective does not mention any idea regarding how the individual interacts in a social environment which according to Wood and McKinley (2010) it plays a relevant

role in the creation and exploit of opportunities. Therefore, the authors provide a constructive perspective based on the Sarasvathy's (2004) work which suggests that opportunities are the result of individual efforts as well they are the result of the individual personal and social experiences.

In their investigation Wood and McKinley (2010) propose a model of opportunity production which begins with the initial idea recognition by the individual that might result in a new opportunity. At this stage, the uncertainty about the likelihood of materialize the idea is high as the entrepreneur will start to test his or her idea. This testing process will take place among his or her social environment which is composed by colleagues, friends and family. The testing result is the objectivation or abandonment of the idea by the individual. In the next stage the entrepreneur strives to enact the business idea by interacting with his or her social ties, then he or she attempts to find stakeholders which support his or her opportunity. As noted by Wood and McKinley (2010) this support and entrepreneur reputation are vital for develop the opportunity and turn it in a profitable business. In this model the develop process of opportunities is not always successful in fact the authors maintain that when an idea is abandoned by the entrepreneur it will be part of a post cognitive reconstruction where the idea will be redefined by the entrepreneur. The **Figure 1** (Wood and McKinley, 2010, p.71) summarizes the proposed model.



*Figure 1. The production of entrepreneurial opportunity*

In this model, once the opportunity is objectified a new process starts named opportunity enactment in which the entrepreneur will need to put effort in order to make the opportunity



attractive for possible stakeholders (Wood and McKinley, 2010). In the same vein, Johannisson (2000) argues that the enactment process would demand an active entrepreneur who interacts with his or her social environment as the most effective way to engage stakeholders with the objectified opportunity. According to Wood and McKinley (2010), there are relevant factors for the success of the enactment process which are the social ties and the entrepreneur reputation. This is supported by Greve and Salaff (2003) who showed that the existence of a broad social network would allow the entrepreneur to have access to relevant greater resources. While the social ties for the discovery perspective are the communication channel through which the information about the opportunity flows to the individual (Greve and Salaff, 2003) for the constructivist perspective the information flow has a different direction. The flow of the information starts from the entrepreneur to the stakeholders as he or she would have to gain their support in order to materialize the opportunity (Wood and McKinley, 2010). On the other hand, the literature on the entrepreneur's reputation has highlighted the key role that it plays in order to engage stakeholders to the opportunity enactment. Shane and Cable (2002) found that seed investors are more willing to invest in a new opportunity if the entrepreneur has a good reputation than if the entrepreneur has not a good reputation or has not a reputation at all. In view of all that has been mentioned so far, it might be supposed that the inclusion of the social networking to the current discovery perspective debate is tended to pose the constructive perspective as a discovery's supplement theory rather than compete with it.

#### 2.2.4.1 Individual's activities importance

In another major study, Alvarez and Barney (2007) discusses the different activities that the entrepreneur would take depending on the two perspectives: opportunity discovery or opportunity creation. In this work, the authors establish that entrepreneur's activities after the discovery or creation will differ depending on the theoretical approach assumed. For example, if there is assumed that opportunities are in the market waiting for being discovered and exploited by the individual the task of him or her will be to discover the opportunity using several techniques and exploit it as soon as possible (Alvarez and Barney, 2007). In contrast, if the opportunity is created the entrepreneurs should get engaged in an iterative learning process that eventually might end in the formation of the opportunity (Alvarez and Barney, 2007). In their analysis of the two opportunities nature and the decision-making context involved in both theories, Alvarez and

Barney (2007) identify some fundamental differences. While the nature of the opportunity in the discovery perspective is independent of entrepreneurs and applies a realist philosophy, the creation perspective nature is not independent of entrepreneurs and applies an evolutionary realist philosophy. In addition, the nature of the decision-making process in the discovery theory is defined as risky by the authors while in the creation theory is defined as uncertain. Alvarez and Barney (2007) note that in the discovery perspective the opportunities emerge as a result of exogenous shocks which implies that this perspective is mostly about searching and scanning the market in order to discover entrepreneurial opportunities. This view is supported by Kirzner (1973) who writes that opportunities are mainly competitive imperfections which emerge exogenously from changes in technology possibilities, customer tastes and resource availability. Consequently, this approach might suggest that opportunities exist as a real objective in the market waiting to be discovered and exploited.

On the other hand, the opportunities under the creation theoretical approach are not understood as objects formed by exogenous shocks in the market. Conversely some writers (Baker and Nelson 2005; Sarasvathy, 2001; Alvarez and Barney, 2007) have pointed out that opportunities are created by the actions of individuals in their aiming to produce new products and services in innovative ways. As Alvarez and Barney (2007) note that the entrepreneur's actions in the creation perspective are the key source of opportunities but and these new opportunities would not be necessary to come from a pre-existing market or industry. These new opportunities would not have been known without the entrepreneur actions then they are not waiting for exogenous shocks in the market to happen. Opportunities creation process involves the entrepreneur interaction with several participants of the environment and the market during the creation and enactment of the entrepreneurial opportunity (Alvarez and Barney, 2007). This theoretical approach seems to suggest that the creation perspective could be based on an evolutionary realist in the philosophy of science (Alvarez and Barney, 2007).

Similarly, Aldrich (1999) observes that the enactment process mentioned before is linked with the evolutionary perspective. In their analysis of Aldrich (1999) defines a concept called blind-variation that applies for both evolutionary and creation theory. This concept implies that the entrepreneur's actions can start a process of fine and tuning that allow the formation of

opportunities before having the certain that the idea will be a materialized. In addition, Alvarez and Barney (2007) maintain that in order to understand the opportunities they need to be enacted in an iterative process that would demand an action and reaction process by the entrepreneur. This is view supported by Arrow (1974) who writes that the initial entrepreneur’s beliefs could be transformed in tangibles business after they observe the market response to his or her ideas. This reflects the acquisition of information and the creation of knowledge by the entrepreneur. **Table 3** (Alvarez and Barney, 2007, p. 13) summarizes the central assumptions of discovery and creation theories of entrepreneurial actions.

	<b>Discovery Theory</b>	<b>Creation Theory</b>
Nature of Opportunities	Opportunities exist, independent of entrepreneurs. Applies a realist philosophy.	Opportunities do not exist independent of entrepreneurs. Applies an evolutionary realist philosophy.
Nature of Entrepreneurs	Differ in some important ways from non-entrepreneurs, ex ante.	May or may not differ from non-entrepreneurs, ex ante. Differences may emerge, ex post.
Nature of Decision Making Process	Risky	Uncertain

*Table 3. Central Assumptions of Discovery and Creation Theories of Entrepreneurial Action*

#### 2.2.4.2 Opportunities and the market

In the same vein, Buenstorf (2007) points out that the evolutionary perspective is based on the Austrian economic school because it satisfies learning and creativity human behaviour. Moreover, this perspective has several similarities with the Schumpeterian entrepreneurial approach. The interaction in the market under the evolutionary perspective is given by the price information (Buenstorf, 2007). As one of the main assumptions of this perspective is that human behaviour is dynamic, the changes in prices are an effect of the error in judgement and changes in preferences from the market participants (Buenstorf, 2007). Consequently, the price information might be

understood as a feedback provider for the entrepreneurs about the market valuation of entrepreneur's performance. The entrepreneurial opportunities arise from the constant human activity beyond the markets and for the entrepreneur in order to pursue an opportunity he or she need to be the one who created it (Buenstorf, 2007). However, opportunities creator's might not be the only ones able to discover them so the opportunity to create an opportunity exists for every actor in the market independently of the entrepreneur (Buenstorf, 2007). Furthermore, the nature of opportunities can be affected by the changes in the industry and the evolutionary perspective helps to recognize these endogenous changes that emerge from the industry evolution. The researcher introduces a concept called "higher-order opportunity" which is "... an opportunity to create the conditions the conditions for an entrepreneurial act by means of some targeted activity." (Buenstorf, 2007, p.328). This concept allows to differentiate the individual discovery opportunity process and the process to create opportunities build on exogenously given conditions. Overall, there seems to be some evidence to indicate that the creation and evolutionary theories are related. These theories provide a reasonable approach in order to explain the enactment process which plays a vital role into the creation and exploit theory (Alvarez and Berney, 2007).

In a study conducted by Holcombe (2003), it was proposed that entrepreneurial opportunities arise from three general sources in the market. Despite the information for new opportunities not always is public for every actor in the market there are sources which can provide them. The first opportunity source comes from factors that disequilibrate the market (Holcombe, 2003). This author claims that factors such as preferences changes could disequilibrate the market because the resources that are needed to reach a new equilibrium and a new set of preferences must be reallocated. Holcombe (2003) highlights that weather factors and the drain of natural resources could affect the market production so it will have to reach a new equilibrium. For example, an oil shortage will demand that the producers do new discoveries or find substitutes for oil. Consequently, the economic agents will have to create new entrepreneurial ideas to reequilibrate the economy hence (Holcombe, 2003). This view is supported by Casson and Wadeson (2007) who argues that new entrepreneurial opportunities arise in the economy as it adapts to changing conditions in the market.

The second opportunity source that Holcombe (2003) identifies is the enhancement of production possibilities. Factors which are unanticipated that enhance the production possibility might result in new entrepreneurial opportunities as a result of a disequilibrium in the market (Holcombe, 2003). In his analysis of the enhancement of production, Holcombe (2003) highlights the production function and the important role of the capital and labour in it, due to the fact that if the input is doubled then the output will be double. This is supported with the assumption that if more capital and labour are available then they might be used in a more creative and innovative ways (Holcombe, 2003). As a result, entrepreneurial opportunities emerge from market's expansion then business's expansions play a key role in the opportunity recognition process.

Finally, the third and most important source of entrepreneurial opportunities for Holcombe (2003) is the entrepreneurial activity. This means that the activity of other entrepreneurs could allow the identification of new opportunities because once an entrepreneur exploits an opportunity this process would allow to other entrepreneurs to act (Holcombe, 2003). In the same vein, Casson and Wadeson (2007) in their study *The Discovery of Opportunities: Extending the Economic Theory of the Entrepreneur* notes that the experience gained by the entrepreneurs exploiting opportunities creates new opportunities in the market. As Holcombe (2003) argues when this process spreads over the economy then the profitable opportunities emerge so that the entrepreneurial activity is the most frequent source of entrepreneurial opportunities. This view is supported by Olson (1996) who writes that if the economy exists the correct incentives the profitable opportunities should not stay for a long period of time unexploited. In fact, this author seems to infer that these right incentives are closely related with the activities that allow that the entrepreneurial activity can continue generating new entrepreneurial opportunities (Holcombe, 2003). Finally, Holcombe (2003) concludes that entrepreneurial opportunities play a key role in the economy growth due to the fact that they can modify the production process. This would generate more opportunities, making them an internal process that will be replicated continuously in the economy producing growth.

### 2.3 Discovery and Creation Views Critique

As the discovery view attracts the highest attention from the business researchers hence it has the majority of critiques (Korsgaard, 2013). The discovery view critiques are that it is incomplete, the social and interactions in entrepreneurial processes are overlooked, the opportunities are created and lastly, the individuality and subjectivity (Korsgaard, 2013). Numerous studies have attempted to suggest that the discovery view is not able to explain the empirical phenomena that they find out and it has a limited capacity to clarify the complexity of the entrepreneurial process (Baker and Nelson, 2005; Fletcher, 2006). This argument is supported by Alvarez and Barney (2007) who write that in order to have a better understanding of the entrepreneur process the discovery view would need to be supplemented with a deeper explanation of the opportunity concept. A broader perspective has been adopted by Buenstorf (2007) and Luksha (2008) who argue that in the evolutionary perspective the entrepreneurial opportunities are created after the voluntary and involuntary effort of the entrepreneur in the market place. The consequences of the entrepreneur's behaviour could disrupt the market hence some additional opportunities can be created and discovered by entrepreneurs. Despite that the evolutionary perspective seems to be a discovery view extension rather than a critique, the scholars have not discussed enough about the matter (Pacheco et al., 2010). Finally, numerous scholars argue that the discovery view systematically ignores the key role of the creativity and learning activities developed by the entrepreneur in the entrepreneurial process (Korsgaard, 2013).

As there was mentioned the lack of theoretical development in the role of the social and relational interactions in the discovery view is an additional critic. For that reason, some authors have mainly been interested in provide evidence in order to highlight the superlative role of the individual interaction with its cultural, societal and economical context (Fletcher, 2006; Dutta and Crossan, 2005 and Sarasvathy, 2001). Furthermore, other number of critics have emerged regarding the lack of importance given by the discovery view to the social and relational interactions (Baker and Nelson, 2005). Other authors have maintained that the opportunities cannot be just an objective phenomenon that is waiting in the market for being exploited by the entrepreneurs (Korsgaard, 2013). In his study, Fletcher (2006) points out a possible explanation in order to understand why the entrepreneur research is limited to provide reasons of why and how individuals pursuit

opportunities in a social context. That it is because dualist and determinist explanations of opportunity identification have been influencing the entrepreneur research (Fletcher, 2006). Moreover, these explanations are based on assumptions about social reality that provides dualism and polarity (Fletcher, 2006). An additional discovery view critic is related with that this view does not recognise that some activity would have to be done prior to discover the opportunity. The study conducted by Dimov (2007), suggests that the opportunity would not be fully developed prior the entrepreneur's discovery process thus it would be required a creative development by the individual after the opportunity is initially recognised. A similar point is made by Fletcher (2006) who writes that opportunities are seen as constructions because they are built of economic information and market needs as a result of the market actor's interaction. Finally, the individuality and subjectivity role's critiques arise from the argument that as opportunities recognition process will demand an element of innovation and imagination (Klein, 2008). Then the entrepreneurial opportunity under the discovery perspective might not be objective as imagination process output may result different for every individual.

In a recent study, Ramoglou and Zyglidopoulos (2015) critically evaluates the constructive perception as the constructivist alternative has not received enough critical analysis by the business scholars. The authors maintain that constructivist scholar should not deny the existence of something external that is just out-there due to there might remain opportunities without being perceived and exploited. Moreover, in their analysis Ramoglou and Zyglidopoulos (2015) argue that opportunities should be created in the demand side of the market as it would represent a true creative effort. The constructive view stands that opportunities are created through a creative process by entrepreneurs as a response of generating market demand. This does not make sense as in the demand side the entrepreneur would attempt to attract a pre-existent demand (Ramoglou and Zyglidopoulos, 2015). In contrast, if the entrepreneur creative process would occur in the supply side it would suggest a new and creative opportunity creation. Lastly, the authors claim that creative insights need to be done by the entrepreneur in the development of profitable ventures but this behaviour should be understood as part of the opportunity themselves. In spite of the fact that the authors' critique is focus on the constructivist approach, they recognise that this view needs to be developed and studied in order to be a credible alternative to the objectivist approach.

In view of all that has been mentioned so far, one may suppose that there is still work to do in order to reach a consensus among the business scholars on how the individual recognize, identify and exploit a venture opportunity. Despite that, the discovery and creation theories have several factors in common but they generate different outputs in the entrepreneurial process due to the diverse understanding of the interaction between the entrepreneur and the opportunity. Having explained the most relevant assumptions and theories of each entrepreneurial recognition approaches, this work will turn to explaining a complementary opportunity recognition theory for new venture opportunities and multiple venture phenomena in the entrepreneurial field.



### 3. THE CORRIDOR PRINCIPLE

In 1988, Ronstadt published a paper in which he discusses the multiple venture creation based on the Corridor Principle model. This model helps demonstrating how the entrepreneurial career is dynamic and how there seems to be a multi-venture creation process during the entrepreneurs' career. Ronstadt (1985, p. 34) defines the Corridor Principle as:

...the act of starting a new venture moves an entrepreneur down a venture corridor that allows him or her to see intersecting corridors leading to new venture opportunities that they could not see before getting into business. Occasionally, a new entrepreneur may have identified these other venture opportunities prior to starting an entrepreneurial career but can not take advantage of them until a business is created.

In Ronstadt's model it is critical that the knowledge and the opportunities only appear after the business is launched. Thus, the opportunities become more attractive when the business is running due to the better knowledge of the suppliers, market, product availability, competitors and relevant contacts (Ronstadt, 1985). In addition, Ronstadt (2007) states that the new information about customers, technologies, new market trends, capabilities insights, and entrepreneurs' interests can only be collected by the individuals once they have started a venture. This new knowledge will allow the occurrence of new opportunities as well as their pursue. After the venture is launched by the individual he or she gets into a corridor representing his or her business, where the intersecting doors could be new venture opportunities. Afterwards different things might occur, such as the entrepreneur ignoring the doors, or exploring them, rejecting them and continuing with his or her business. On the other hand, if the potential opportunity seems to be attractive for the entrepreneur a second business could be founded. It is important to mention that in this model there is no need to create a new legal entity to pursue the new opportunity; as it can be related with the initial venture, the two can be operated simultaneously under the same legal entity. Moreover, if the entrepreneur decides to end with the original legal entity, the new one could start to operate replacing the previous one (Ronstadt, 2007). The entrepreneur might move from one venture corridor to another for several reasons but the most common are: need to do something new and

different, the need to expand his or her current business, change in the business goals by starting a second new promising venture, among others (Ronstadt, 1985).

One of the most relevant contribution of the Corridor Principle to practitioners is that “...knowledge of the Corridor Principle allows entrepreneurs to anticipate what is like to happen” (Ronstadt, 2007, p. 249). If the entrepreneur is aware of what may happen closely after his or her venture is in the market, he or she will be more aware of new opportunities (Ronstadt, 2007). Moreover, the learning about customers that occurs on real market is more significant than the one obtained from a market survey. In addition, this principle might be a quick market research tool for the entrepreneurs as they can test their products with real customers in a real conditions market (Ronstadt, 2007). Thus, as Ronstadt (1985) states the Corridor Principle could provide these valuable insights from the market that individuals would have access only if they are running their business in the market. Apart from the predictive contribution, this principle could provide additional benefits to the entrepreneurs such as asset utilization in the follow-on ventures (Ronstadt, 2007). As a result, Ronstadt (2007) identifies that the individual may be able to use the assets from the initial venture in the second one so that would demand less effort from the entrepreneur and more efficient use of his or her capacity. Furthermore, the contacts for relevant issues such as marketing, legal, accounting and human resources used in the initial venture are already known and ready to use in the new venture opportunity (Ronstadt, 2007). Consequently, all of these make the new venture set up easier, cheaper and quicker for the entrepreneur.

Ronstadt (2007) observes that the type of industry is related with the frequency and variety of potential venture opportunities that the entrepreneur could spot in his or her corridor. Then, if an industry is relatively young it would be full of new opportunities to discover by the individual but if the industry is old and stable the new opportunities would not be generated and recognized so often by the entrepreneur (Ronstadt, 2007). There is an additional benefit from the Corridor Principle that entrepreneurs can discover after they have some knowledge about this principle. This benefit is called by Ronstadt (2007) as guilt reduction and it means that entrepreneurs should not feel guilty about what is going on around their businesses. In fact, there are some researches which argue that one of the reasons to venture failure is not staying focus on the initial business (Mandl et al., 2016). Despite this argument, Ronstadt (2007) maintains that Corridor Principle

stands is that entrepreneurs should be aware of the opportunities that could emerge while they are running their businesses. The author gives an analogy between an entrepreneur and a car driver, and he claims that “As when driving a car, entrepreneurs need to focus on the road ahead and be attuned to how the company is running, but they also need to be aware of what is going on around them.” (Ronstadt, 2007, pp.250). Then entrepreneurs might have to change the route or just modify their final destination. Consequently, the awareness that entrepreneurs should have when they are running their businesses would be the one that would allow them to avoid accidents and reach their final destination (Ronstadt, 2007).

### 3.1 The Corridor Principle and the Near Failure Syndrome

Many new start-ups tend to experience an initial crisis of survival while there are few examples of new ventures that show successful sales and profit figures in the first years of operation (Ronstadt, 2007). According to Ronstadt (2007) this phenomenon could be called Near Failure Syndrome which is relevant when it is combined with the Corridor Principle. For this author the Corridor Principle and Near Failure Syndrome disturb the traditional understanding of what it means to start a first business. That it because with the combination mentioned the businesses objective changes from profit maximization to survival maximization due to the fact that entrepreneurs should be aware that their first venture might not be the most successful one (Ronstadt, 2007). Then, this author identifies that most of the first ventures make enough profits to get on base in order to survive the first years of operation. In addition, in his work Ronstadt (2007) defines the survival maximization as the entrepreneur situation where “...the entrepreneur has fewer things to focus on than all the variables in a traditional business plan.” (Ronstadt, 2007, pp. 250). As a result, the Corridor Principle allows new ventures to get in to the market in an easier way because they would have to follow the survival maximization rule (Ronstadt, 2007).

Consequently, Ronstadt (2007) argues that entrepreneurs should follow a methodology in order to evaluate future opportunities and it would need to be related with the survival maximization approach. For that reason, this author introduces what he calls as the Near Failure Sufficiency Test with is formed by four questions. The questions are the following (Ronstadt, 2007):

- (1) Does the new venture have sufficient sales to survive?
- (2) Does the new venture have sufficient margins to survive?
- (3) Does the new venture have sufficient working capital to survive?
- (4) Does the new venture have sufficient investment capital to survive?

These questions will allow entrepreneurs to explore corridor opportunities and to assess if pursuit them is worth it or not. Moreover, with the proposed methodology entrepreneurs will figure out in a time efficient way if the new opportunity makes any sense while they are running their ongoing businesses (Ronstadt, 2007). According to this author, if the answer to the first three questions is positive there is a high chance that the new opportunity will produce a positive operative cash flow enterprise. An additional benefit provided by the Corridor Principle is highlighted by Ronstadt (2007, p. 251): "...for some entrepreneurs the objective of starting a first venture shifts from profit maximization to survival maximization.". This implies that entrepreneurs might focus on the generation of enough profits and cash flow in order to survive and learn about the new potential opportunities so that they can maximize profits and cash flows from their initial venture (Ronstadt, 2007). Finally, if entrepreneurs are aware of the Corridor Principle and the Near Failure Syndrome would be able to get easier into the market, to modify it if is necessary to avoid failure and to evaluate future corridor opportunities. Overall, there seems to be some evidence to indicate that the Corridor Principle helps to reduce the entrepreneur's uncertainty before launching a business by getting in to the market. Despite this fact, the principle is not a guarantee of success as in the market place there are external and internal factors that could lead to a venture failure (Zacharakis et al., 1999). However, the Corridor Principle is a useful framework to understand clearer the entrepreneurial career process it also provides insights on how entrepreneurs spot opportunities in the market.

For all these reasons mentioned and which are summarised in the **Table 4**, this work argues that the Corridor Principle is a relevant concept to understand opportunity concept and it could be a complement for the current entrepreneurship research. As a result, this work will test if the Corridor Principle is still valid for a sample of Colombian entrepreneurs. In order to do that this study will test if the essential hypothesis of this principle which is that entrepreneurs see new opportunities as a result of being in businesses and which they could not have seen if they were

not in business. From this hypothesis emerges two additional questions. First, do entrepreneurs pursue the opportunities that they identify, and second, if so, how: (i) modifying their businesses or (ii) starting new businesses. An additional aim for this study is attempt to understand how this principle is related with the entrepreneurial recognition approaches previously mentioned.

<b>Corridor Principle Benefits</b>
Creation of follow-on promising ventures
New activities to the existing business
Business expansions
Better understanding of the market as a result of the interaction with market players
New knowledge about customers, technologies, new market trends and capabilities
Asset utilization
Change business goals/focus
Creation of a network of useful market contacts
Easier, cheaper and quicker way to set up a venture

*Table 4. Corridor Principle Benefits*

## 4. METHODOLOGY

### 4.1 Data Source

The data was collected through Skype-call structured or standardized interviews with entrepreneurs based in Colombia, undertaken during July and August of 2018. This survey research method was selected as it allows to produce consistent generalizable data and it minimizes the risk of bias from the researcher (O'Gorman et al., 2014). This type of interview develops an empathic communication relationship between the researcher and the interviewee (Quinlan, 2011) which is particularly important when the interview's content is individual experience (Ghauri and Grønhaug, 2004). This study used open-ended questions, which according to Jackson and Trochim (2002) are especially useful to gather information about experiences. The interviewees were promised anonymity, in an effort to elicit more honest answers.

The recruitment of entrepreneurs for the interview was supported by the Executive Director of the entrepreneur's association of Colombia, who in this study played the role of contacts gatekeeper. The gatekeeper role is consistent with the role in management research: the individual who "...break down walls or cross barriers in order to connect and facilitate." (Paul and Whittam, 2010, p.244). Barzilai-Nahon (2009) describe the gatekeeper as the one who is able to produce information and link the external sources with the internal ones. This specific individual, thanks to their role in the Colombian entrepreneurial ecosystem, has access to comprehensive entrepreneurial data and Colombian entrepreneurs' networks, a fact that makes him particularly valuable (Paul and Whittam, 2010). The recruitment process was highly influenced by the gatekeeper, and developed with his help. As the work is developed in Scotland and the data collected in Colombia, the gatekeeper's support made the process time efficient. Considering all of these reasons, the initial approach was made by the gatekeeper inviting some Colombian entrepreneurs to participate in the study. This approach was made by phone call and the selection criteria for the entrepreneurs was as follows: entrepreneurs who are running a business from a minimum period of time of 3 to 15 years. All participants were informed of the research aims and the confidentiality of the present study through a plain language statement and an informed consent.

This study was conducted from June 2018 to August 2018. The interviews were led to a sample of 14 Colombian entrepreneurs who own a business for longer than 3 years. The entrepreneur's average number of years running their current business was 7 years. The participants age mean is 36 years old, the youngest was 31, and the oldest was 47. The majority of the sample was male (93%) and all of them had a university degree. Almost three-thirds (64%) of the sample had relevant professional qualifications for their businesses. Participants had relevant entrepreneurial experience. On average, participants had 11 years of entrepreneurial experience and they have created 36 business in aggregate. 36% of the sample have started only one business while the 64% have started one or more than two business. The average age when the participants started their first business is 25 years old.

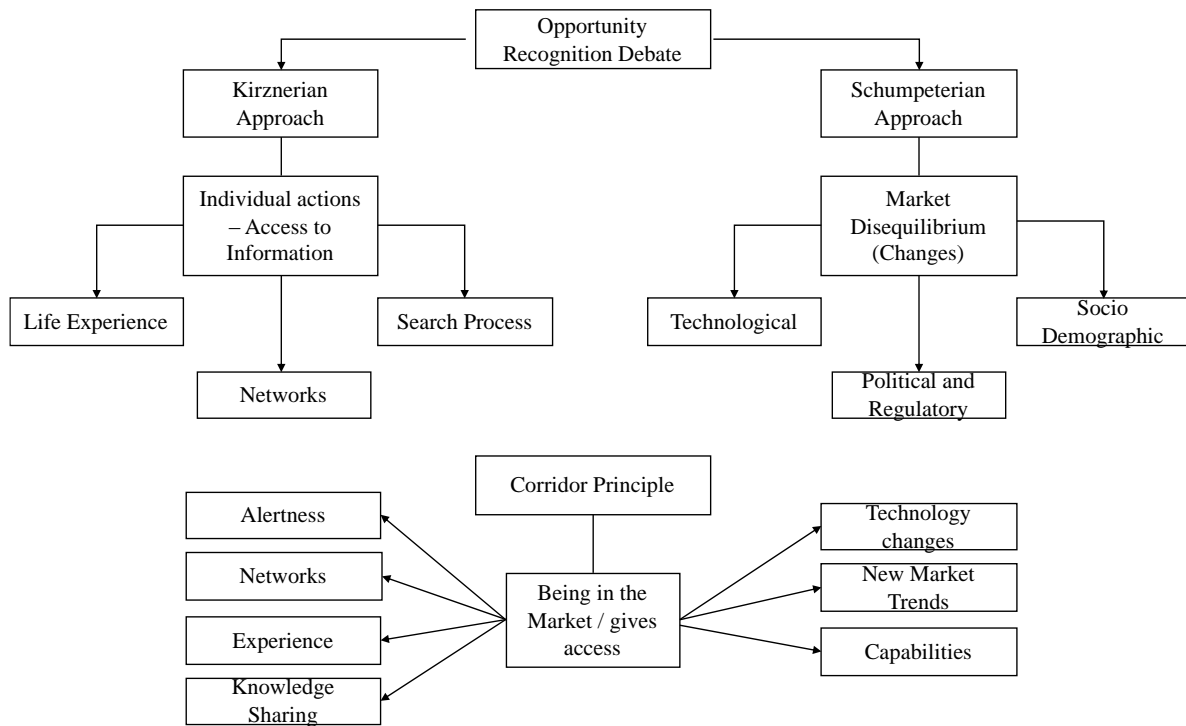
This study has four potential limitations. Firstly, the group sample is rather small, and that might create difficulties in generalizing the data. As the participants were selected randomly, however, the output of this study can still help understanding how Colombian entrepreneurs are identifying opportunities. Secondly, the gatekeeper pre-selecting the entrepreneur's sample might create bias whenever he manipulates according to his agenda (Barzilai-Nahon, 2009). Despite this, the gatekeeper does not have any particular interest on the study final output so this work believes that participant's pre-selection was made with no bias. Thirdly, as Ronstadt (2007) highlights, there are some industries where the Corridor Principle could be identified more clearly than in other, more mature ones. For example, in the technology industry the opportunities are spotted more often while in the construction industry new opportunities are not so easy to identify. As there was no recruitment criterion regarding the industry, the variety of industries considered in this work might influence the results. In addition, the research study could be shaped by the strategy that the business is following: a business under a blue ocean strategy might have several new opportunities, whereas one under a follower strategy might find it more difficult to identify opportunities. Finally, the last potential limitation is that in mature industries it is challenging to find new business opportunities. New opportunities in older industries might have been already recognised while in younger one's opportunities could be waiting to be identified. Having a mix of businesses in different industries might influence how often entrepreneurs see new opportunities while they are in business.

## 4.2 Analysis

A database was built after the structured interviews were transcribed. A content analysis was used in the interviews transcripts analysis as this is particularly useful in entrepreneurship research (Zacharakis et al., 1999). This research technique “...allows replicable and valid inferences from data to contexts, providing knowledge, a broad description of data, new insights, and a practical guide for action.” (Woo and Heo, 2013, p.14). The interviews transcriptions were carefully read several times to understand the statements made by the entrepreneurs. After the database was complete the information was split into two units of analysis: (a) “Entrepreneurs see new opportunities as a result of being in business” and (b) “Do entrepreneurs pursue these opportunities, and how?”. These units of analysis are linked to the main hypothesis and the questions this work aims to answer. This process allowed to obtain a deeper understanding of the insights provided by the entrepreneurs regarding entrepreneurial opportunity identification.

An additional analysis regards the opportunity recognition debate. The literature related to opportunity recognition presented in the Chapter 2 was revisited in order to understand how the Corridor Principle framework might provide valuable insights to the current research debate. The analysis was based on the identification of the key arguments for each of the two opportunity recognition approaches presented in the literature review. These arguments were compared with the Corridor Principle foundations, and then it was identified which of the corridor’s foundations might help to explain or complement the current opportunity recognition process debate. The analysis described is shown in the **Figure 2**.





*Figure 2. Literature Review Analysis*

## 5. FINDINGS

The data was sorted into two study units including the i) Entrepreneurs see new opportunities as a result of being in business and ii) Do entrepreneurs pursue these opportunities and How they pursue them. Once these were analysed several themes were obtained relevant highlights that answer the mentioned analysis units. The results of the analysis of these themes will be discussed in the following. An additional analysis was conducted by this work, that is related with the identification of the Corridor Principle foundations that could be incorporated to the current entrepreneurial opportunity recognition debate.

### 5.1 Participant's Profile

The participants reported an average of entrepreneurial career of 14 years. Half of the participants owned the first business before the age of 23 and their average entrepreneurial career is 17 years. The total number of ventures created by the participants is 36. On average the entrepreneurs interviewed have started 3 businesses during their career. In addition, almost two-thirds (64%) of the participants (**Table 5**) have started more than one venture during their entrepreneurial careers. Participants who indicated to have started two or more businesses are the individuals who reported the longest entrepreneurial career, with an average career of 16 years. The majority of the participants (93%) were founders or co-founders, the participant who were neither founder or co-founder was the business managing director. 86% of those who answered to be founders started their business from scratch.

Participant	Previous Businesses Started
1	4
2	5
5	5
6	4
7	4
10	2
12	2

13	2
14	2
Average	3

*Table 5. Previous Businesses Started*

## 5.2 Entrepreneurs see opportunities as a result of being in the business

The participants provided valuable insights to test the hypothesis that entrepreneurs see opportunities as a result of being in the business, opportunities they would have otherwise not. The insights provided by the interviewees differ depending on whether they have started one or more businesses, or if they have only started one business.

### 5.2.1 Entrepreneurs who have started one or more businesses

The 9 respondents who reported in the interview to have started one or more businesses during their career all suggested that they saw opportunities because of being in the market. Looking in more detail at participants responses, three themes emerged that validate the study's hypothesis. First, the majority of those who started a business before commented that they discovered opportunities thanks to being in the business or in the market. Second, they stated that their professional and academic background allowed them to start their first venture. Finally, the third theme is related to how entrepreneurs started their current business.

#### 5.2.1.1 Opportunity recognition as a result of being in the business

All of this group participants agree on the fact that running their businesses and being in constant contact with the market players helped them spot opportunities which later became business ideas. The participants' comments were the followings:

*“My company was working with companies which sell their products through social networks and we identify the lack of efficiency during their sales process. So, we spotted this opportunity and after a quick research with market participants we decided to work on a new technology and go for it” (Participant 1).*

*“After working in my business of entrepreneurial advisory I realized that technological platforms and collaboratives economies would transform the industries so I decided to start my businesses in the transport and retail industries” (Participant 2).*

*“We identified a lack of a safety and comfort in the public transport so we wanted to provide that to the market. In addition, we were willing to offer an innovative solution to the market as it was being dominated by intermediaries who create additional costs to the final customer” (Participant 2).*

*“All the themes developed in my previous businesses are the reason why I am developing my current business” (Participant 5).*

*“As a result of interactions and to serve my costumers I have added to my business new products and services” (Participant 5).*

*“We are planning to offer a new service as a response of a market need. This service will provide advisory in mergers and acquisitions (M&A) and compliance to big players in the industry” (Participant 6).*

*“After I chatted with my clients I figured out that they were looking for a different service from the traditional law firms. They were looking for a real time information about their legal proceedings” (Participant 6).*

*“Our initial service was providing transport services for company’s employees but while we were running the business we identified opportunities that we have pursued and developed, such as luxury private transport for company’s executives and express courier. Also, we have expanded our services to 4 additional cities in Colombia” (Participant 7).*

*“We have developed new products with the highest quality standard as a result of being in the cosmetic and beauty market in Colombia” (Participant 10).*

*“My first business idea was fast food sales but as I started to have more contact with our customers then I realised that we can add services to our portfolio”* (Participant 12).

*“I have started new businesses thanks to business ideas which were developed after conversation with clients and people in the market, for example my business in the education sector”* (Participant 13).

*“We have changed our business model several times because when the market changes opportunities emerge, so we have to adapt to make our services more attractive for our clients”* (Participant 14).

*“After we interacted with our market which is the sport industry we identified what is the services that our costumers value the most”* (Participant 14).

#### 5.2.1.2 Individual’s background relevant for starting their first business.

78% of the interviewees (7) who have started one or more businesses in their career mentioned that their professional (5) and academic (2) background was relevant in starting their first business. There were just two participants who reported that their passion for specific topics was the key factor motivating them to start their first business. Some of the respondent’s comments are now reported:

*“My bachelor’s degree and experience in software development allowed me to start my first idea of business”* (Participant 1).

*“Thanks to my work experience with the national government and business associations in the technological and social ventures fields, I found a lack of proper advisory services for the entrepreneur in how to start a business”* (Participant 2).

*“My professional experience in investment banking and advertising agencies allowed me to start my first business providing advisory services to small businesses”* (Participant 5).

*“After working for several years in the legal industry I figured out that providing an innovative and client-focused service would open new opportunities for me. This was my aim when I decided to start my own legal firm” (Participant 6).*

*“My first business was related with making textile making use of industrial and operation processes. Thanks to my professional background I could develop and run that business” (Participant 12)*

*“My experience operating in the stock market allowed me to understand that there were some investors who were willing to invest their resources in international markets. Then I did some research in the market to figure out if this type of services were already provided. There were a few of them so I decided to start my own investment fund” (Participant 13).*

*“My first business idea emerged while I was working for a webpage design studio. With the insights and the knowledge acquired I was able to start my first business in branding and web designs” (Participant 14).*

*“My passion for technology and automatization were what motivated me to start my first business in Colombia. Actually, my business was one of the first that did video game publishing through social networks in Latin America” (Participant 7).*

*“My love and passion for my country and also the fact that I wanted to be an entrepreneur motivated me to start my first business” (Participant 8).*

### 5.2.1.3 Entrepreneur’s path spotting opportunities

There were relevant comments on the path to start their current business for those entrepreneurs who have started one or more businesses. A recurrent theme was that participants started to spot opportunities in the market as a result of running their first business. After pursuing these opportunities they started their current business. In fact, the current businesses of 89% of the

respondents (8) started as a result of an opportunity spotted by them while they were running their previous businesses. The remaining participant created his business as a result of his dissertation project at university. Some of the participants comments are the following:

*“Being in the market is important as while I was running my first business dedicated to software development and project systematization for social organizations, after conversations with customers, suppliers and other entrepreneurs I realized that not only social organizations may need the type of services that my business was providing at that time. After a quick research I found out that companies need advisory services in their business development processes so then I decided to change the nature of my business and start to offer this type of services in business. That was the opportunity that I identified when I started my current business”* (Participant 1).

*“The opportunity that I recognized and made me start my current business was closely related with my first business because it was a software manufacturer which provided technological solutions to companies. After I developed many projects and served many customers I identified that many valuable business ideas did not make it to the market for lack of preparation and technical expertise such as marketing, finance, human resources, and so on. Then I changed my business scope and now my business is focused on offering advice to entrepreneurs and companies in developing projects and ideas in the technological field”* (Participant 2).

*“My prior businesses were oriented on providing advice to entrepreneurs in specific fields such as marketing, strategy, corporate innovation and business development. While I was running my last business, a digital company that supported entrepreneurs in business development and banking capital, I realized that the business mortality rate was too high because entrepreneurs did not have a complete social network with contacts to use depending on the different needs such as finance, marketing, advertising, IT, human resources, accounting among others. For that reason, I decided to modify my previous business model and start the current one which is a social network for entrepreneurs”* (Participant 5).

*“When I started my first law firm, I was offering the same services that the big law firms offered, but after some conversations with some of my clients I understood that big firms were too big to provide an innovative customer service. Then, I decided to develop a new and innovative customer service model and that is the success of my current business”* (Participant 6).

*“My previous businesses were related to the automatization of the company’s operations in several industries in order to decrease the likelihood of fraud in their transactions and to have cost reductions. As a result of different customers complains about the difficulty in the transport cost control item, I recognised that the transport management for employees such as taxis or private transport was a manual process in Colombian companies and it could be automatized in order to reduce human error or fraud. That is how my current business began”* (Participant 7).

*“While I was running my investment fund, I had a conversation with one of my customers who was operating his business in the healthy food industry, where he made a comment that there were few competitors in the market and that there was enough space for new players. After this conversation I did a small research in the healthy food market and I confirmed what my customer told me. Then, I draw my business model and I started my current business dedicated to the production and commercialization of healthy drinks”* (Participant 13).

*“My first business provided branding and webpage design services to companies. Then after operating in this market for 1 year I realised that there was no digital football platform with historical data and innovative content for football lovers. As a result, I decided to pursue this idea and create my second and current business which is a digital football platform in Colombia”* (Participant 14).



## 5.2.2 Entrepreneurs who have started one business

A number of relevant insights were identified from the 4 participants who reported to have started one business in their entrepreneurial career. These insights seem to validate that entrepreneurs see opportunities while they are operating in the market. Two common views among the respondents emerged from the interviews. The first was that an academic or professional background helped entrepreneurs start their businesses. The second view was that entrepreneurs identified opportunities as a result of being in the business.

### 5.2.2.1 Individual's background helped entrepreneurs to start their business

3 of the respondents mentioned their academic (2) or professional (1) background as one of the key factors in starting their business. The respondent who did not relate his academic or professional background with his business creation explained that he was invited to be part of the business as co-founder. The participants comments are the following:

*“My business idea started at university when I was part of a volunteer group. This group gave support to Colombian NGO organizations. I realized that these kinds of organizations were inefficient as they were not innovative and they did not have technological tools, and as a consequence they were not creating a big impact with their projects in the society. My academic background in technology development and coding helped me start the business of providing technology-building processes to NGOs and communities across the country”* (Participant 3).

*“My business idea was the result of the knowledge acquired in my master's degree in Canada and the identification of the lack of companies which could manage the electronic waste. In addition, this sector is poorly regulated in Colombia so these facts helped me recognise the opportunity”* (Participant 4).

*“My business was a spin off a previous family business and thanks to my work experience in an entrepreneurship association I was able to have access to new trends in the market*

*such as the circular economy, digital and massive markets. This helped me recognise the opportunity and start with my first business” (Participant 11).*

#### 5.2.2.2 Entrepreneurs identify opportunities as a result of being in the business

All the respondents reported that they saw opportunities while running their businesses. The participants’ comments are relevant to validate the study’s main hypothesis. Some of the most relevant insight reported by the participants were the following:

*“We identified some business opportunities while operating in the market, for example we analysed a possible expansion across the continent as a result of some of our clients commenting that it would be a good idea to have our services across Latin America. We thought about it but in the end we rejected the idea” (Participant 3).*

*“After operating in the market for about 6 years, we spotted an opportunity to offer additional advisory and training services in the management of electric and electronic waste to companies with the increasing awareness in the dealing of these wastes across the market” (Participant 4).*

*“Nowadays in the international markets companies are trading electronic and electric waste, so this is an opportunity for us as we can export our waste to the international markets as they pay higher prices than in Colombia. This opportunity emerged as a consequence of our interaction with different market players” (Participant 9).*

*“The idea of the new furniture renting service that we recently added to our portfolio was originated after being in operation in the furniture market. In addition, we decided to exploit the digital and massive market with a second-hand furniture concept as we identified that market trend” (Participant 11).*

### 5.3 Do entrepreneurs pursue opportunities in the market and how do they pursue them?

All the respondents affirmed that they have pursued the opportunities that they have seen as a result of being in business. The comments below illustrate how the most common reported ways to pursue them among the participants were to add a new service or product to their business portfolio, expansions, and starting new businesses.

#### 5.3.1 Add a new service or product to their business portfolio, expansions and new businesses

*“We decided to add a new service to our portfolio based on a new technology developed by the company. This technology would help stores that operate in social networks being more efficient. We decided to expand our operation in three cities in Colombia as a result of the new advisory service”* (Participant 1).

*“Our business idea received a positive feedback from the market. Furthermore, we received requests to open new offices in other continents. A couple of years after we decided to explore the business opportunities in Europe so we opened our first office in this continent and we are serving part of the European market”* (Participant 3).

*“Recently, we started offering our clients a new service in order to attract the big players in the market. This expansion was with company resources and it is the result of a new partnership with a strategic partner”* (Participant 4).

*“New services and products emerged from customers’ specific needs that can change across time, as markets are continuously changing”* (Participant 5).

*“The idea of the new furniture renting service that we recently added to our portfolio originated after being in operation in the furniture market...”* (Participant 11).

*“My business started with an instant food product but after a few years the business had transformed in a franchise offering products such as raw materials and ingredients for*

*cooking, frozen lunches and junk food. In addition, we are operating in two additional cities” (Participant 12).*

*“Our portfolio of services has been increasing as we figured out market while operating in them. For that reason, we are now serving four new types of customers and we are operating in five of the biggest cities in Colombia” (Participant 7).*

*“Thanks to advising some of my clients in the transport and in the mass consumption industries, I realised that collaborative economies with a technological platform could disrupt the way how these sectors work. Then I decided to create two new businesses to serve private transport and cargo transport, and one additional business which connects small groceries with their products suppliers” (Participant 2).*

*“...I decided to modify my previous business model and start the current one which is a social network for entrepreneurs” (Participant 5).*

*“After we started with our football digital platform we rapidly started to find companies related to football who were willing to advertise on our platform. Then I realised that the same business model could be replicated for other sports and for that reason we are planning to create additional platforms for each sport” (Participant 14).*

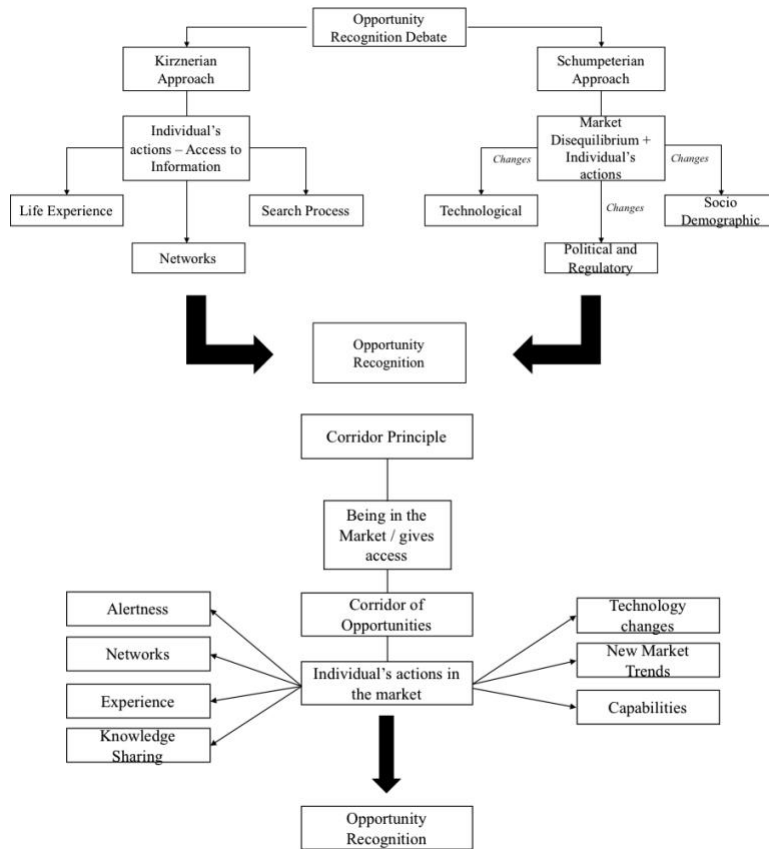
#### 5.4 The Corridor Principle and the entrepreneurial recognition debate

In light of these results, it is possible to identify some common topics that the Kirznerian and Schumpeterian approaches discussed in Chapter 2 might share with the Corridor Principle framework. **Figure 3** shows the mentioned analysis, which highlights the similarities and possible themes that could be incorporated to the current debate. First, both approaches assume that individuals need to be in the market in order to discover or create the opportunities and being in the market is one the most relevant Corridor Principle premises. More in detail, the Kirznerian approach maintains that the opportunity recognition occurs as a result of the individual actions which create a differential access to information in the market (Shane, 2003). As it was mentioned in the literature review chapter this differential access is basically access to new sources of

information such as networks, previous experience, searching, ideas sharing among others. These new information sources have some similarities with the Corridor Principle foundations, as the latter argues that opportunities emerge due to the fact to be in the business or in the market (Ronstadt, 2007). This presence in the market allows alert entrepreneurs to access new information in the market built up with networking, prior knowledge, experience and ideas sharing. In addition, this principle helps entrepreneurs to have a continuous feedback from the market, especially for customers who constitute a primary source of new information for the individuals. Moreover, under the discovery perspective after external shocks in the market individuals start to search and scan the market in order to discover the opportunity (Alvarez and Barney, 2007). This argument could be easily linked with entrepreneur's behaviour after they start their first business because as soon as they get down to the opportunity corridor they might start to search and scan new opportunities.

On the other hand, the Schumpeterian approach claims that opportunities are created as a result of a market disequilibrium generated by technological, political and regulatory and socio-demographic changes (Shane, 2003). The creation perspective also recognizes the importance of the individual's actions and their interaction with their environment in producing new products and services (Baker and Nelson, 2005). As individuals detect the market disequilibrium and then create the opportunities as a consequence of being in the market, the Corridor Principle seems to provide insights on how individuals could detect the disequilibrium in the market. Moreover, this principle could explain how individuals' interaction with their environment helps them create new opportunities while they are running their businesses. The Corridor Principle seems to fit with the majority of opportunity recognition process steps proposed by Fletcher (2006). He identifies the entrepreneurial alertness, networks, experience, prior knowledge of markets, and ideas sharing as relevant steps in completing the process of opportunity recognition. Overall, the similarities mentioned above prove that this principle is closely related with the two main opportunity recognition approaches, and its insights seems to be valuable for future opportunity recognition process research. The principle also expands on how entrepreneurs take advantage of the market in order to obtain an accurate product's feedback from real customers, and it gives valuable insights into how individuals gain deep knowledge of markets. There is also some interesting novelty that can be used for further research in the Corridor Principle. For example, how entrepreneur's

business strategy could influence on the potential opportunities' corridor as blue ocean strategies might generate more new opportunities than others business strategies.



*Figure 3. Opportunity Recognition shared topics*

The results in this chapter indicate that the Corridor Principle is valid for entrepreneurs, more specifically for Colombian entrepreneurs. In addition, the results provide some insight about how these entrepreneurs recognised their first entrepreneurial opportunity. The results suggest that individuals typically identify opportunities through their prior work or academic experience and professional networking. This could be explained by Kirznerian opportunity' recognition approach as for example as it was shown in the **Figure 3**, the Kirznerian approach uses the individual's life experience and networking to explain how the opportunities are discovered. Moreover, this principle could be used as a complement in the entrepreneurial research to explain the opportunity recognition process. When entrepreneurs start their first venture then they get involve with the market after which they begin a process of fine and tuning that allow the formation of

opportunities. This principle could provide new insights into how individuals start an opportunity recognition process and how they pursue the spotted opportunities. This could be a relevant complement for the two traditional approaches. The next chapter, therefore, moves on to discuss the principal implications of the results.

## 6. DISCUSSION

Taken together, the results reported in the previous chapter suggest that the Corridor Principle is valid for the Colombian entrepreneur's sample. In addition, the results highlight relevant messages for the entrepreneurial opportunity recognition process. They provide evidence that entrepreneurship is a dynamic career, and importantly that for the majority of the entrepreneurs in the study said career seems to be a multi-venture process. The findings validate that as soon as the entrepreneurs get in to business a wide range of opportunities emerge that could not have been seen and exploited if had the entrepreneur not been in the business. Individuals take advantage of proper professional and social networks to have more tools and knowledge to recognise opportunities. Another important finding is that entrepreneurs indeed pursue the opportunities that arise. The majority of these opportunities are presented in the form of new portfolio services, expansions and new venture creations, which supports Ronstand's (2007) proposition that asset utilization and venture selection are beneficial for practitioners. Study participants seem to corroborate that the best place to learn about clients and their own products and services is in fact the market, which again supports Ronstand's (1988) framework. In the same vein, these results suggest that the Corridor Principle prevents entrepreneurs from being myopic regarding their initial market research and business plan, because they can test their products or services with real customers and modify them whenever that is required (Ronstadt, 2007). Furthermore, these results support Ronstadt's (1988) argument that entrepreneurs can adjust their business path once they get into the market.

One interesting finding is that all the entrepreneurs found their previous academic and professional background useful in creating their first businesses. This can help fill an important gap: the Corridor Principle assumes that individuals start their first business but does not provide insights on how they create their first venture. The principle's starting point is that the act of starting a venture allow entrepreneurs to recognise another business opportunities but, there is not mention to how entrepreneurs typically identify and set up this first venture. The gap could be answered using the Kirznerian and Schumpeterian opportunity recognition approaches. This work would suggest that the approach that could fit the best to fill out the mentioned gap is the Kirznerian one. The Kirznerian approach argues that opportunity discovery is a cognitive process that only depends



on individual actions and their access to differential information (Shane, 2003; Shane and Venkataraman, 2000). This can be linked with the insights reported by the participants as they responded that, thanks to their cognitive actions and information access such as background and professional networking, they were able to start their first business venture.

Another important theoretical implication is that the Corridor Principle should be added to the current opportunity recognition debate. Despite the Corridor Principle being mainly focused on providing an explanation of the multiple venture process, it can carry a number of relevant insights for the entrepreneurial opportunity recognition discussion. In fact, some of the Corridor Principle foundations could apply to the different opportunity recognition perspectives as well as help having a better understanding of the entrepreneurial process. For example, Chapter 2 discussed the relevant role that information and knowledge access have either for the Kirznerian approach as well as for the Schumpeterian approach. More in detail, according to Fletcher (2006) the majority of the opportunity recognition process involves factors such as entrepreneurial alertness, access to networks, prior experience, sharing ideas and prior knowledge of markets. The results of this study and the interviews show how the mentioned factors are present in the Corridor Principle framework. For example, interviewees mentioned that they have seen new opportunities in the market as a result of exchanging information between them and their customers, suppliers and other entrepreneurs.

In the same vein, the learning process begins when entrepreneurs have to face several factors like customers, business associations, competitors among others, and this is when the true learning and opportunity emerging begin for entrepreneurs (Ronstadt, 2007). This supports relevant assumptions made by (Wood and McKinley, 2010) such as that opportunities are discovered thanks to process of social construction and individual actions. It is clear how the results of this study suggest that the Corridor Principle allows individuals be part of a social interaction with their market environment. After this interaction they are able to identify new opportunities which seems to be an additional similarity with the Kirznerian approach. Schumpeterian perspective could be clearly linked too with the Corridor Principle as it was discussed in Chapter 2, in the creation approach individuals play key roles in the opportunity creation process. In fact, fine and tuning actions in entrepreneurs' products and services allow the formation of opportunities, so that

these opportunities would not be being created without individuals' actions (Alvarez and Barney, 2007). The Corridor Principle helps entrepreneurs to do these fine and tuning actions as they can interact with their customers in the market in order to fit their products and services into the customer's needs.

As mentioned in the literature review, the Kirznerian perspective claims that entrepreneurial opportunities emerge from the access to market information individuals could have (Kirzner, 1973), so as long as the entrepreneurs are operating in the market they will have access to first source information (Ronstadt, 2007). In addition, this information emerges from corridors which provide entrepreneurs with a stock of insights that could be transformed in future opportunities (Shane and Venkataraman, 2000). This clearly points out a similarity with Ronstadt's (2007) principle, as he claims that as soon as the entrepreneurs starts his or her venture they get into corridors of information that could be materialized in opportunities. Furthermore, the Corridor Principle could support the opportunity creation perspective because in this approach the entrepreneur's actions play a key role in the opportunity recognition. The results presented in this work support how important the individuals' actions are in the opportunity recognition process and also how this can only happen if they are operating in the market. For these reasons, this work argues that Ronstadt's contribution to the opportunity recognition process might play a key role in the entrepreneurial process, as it could help explain how and why individual recognise opportunities while they are in the business. Moreover, Ronstadt's principle should be added to the current opportunity recognition debate as it combines insights from both approaches, thus providing a better understanding of individual behaviour in the entrepreneurial opportunity recognition process. The Corridor Principle by itself is a valuable framework in order to understand how individuals see opportunities in the market but its analysis is not enough to understand the entire opportunity recognition process. This principle introduces some interesting novelty that could be used for further research such as understanding how entrepreneurs spot their first venture and how they pursue new opportunities while they are in business.

The results of this study also indicate that the Corridor Principle framework might need to be complemented in order to reach a full understanding of the opportunity recognition process, as this principle does not explain how entrepreneurs start their first venture. Finally, this work argues and

proves for the Colombian business environment that one of the most relevant among Ronstadt's contributions to the opportunity recognition debate is the understanding of how entrepreneurs see opportunities in the market after they have started their initial venture. After this first step, entrepreneurs get into a dynamic and multi-venture entrepreneurial career, able to discover or create the opportunities.

## 7. CONCLUSIONS

The aim of the present dissertation was to test if the Corridor Principle is valid for Colombian entrepreneurs. The major finding is that this principle is indeed valid for Colombian entrepreneurs. This study shows that the Corridor Principle is relevant in explaining how individuals recognise opportunities in the entrepreneurial process while they are running their businesses in the market. The research also shows that the Corridor Principle is an important framework to explain the entrepreneur multi-venture creation and dynamic career. A long-term view should be taken when entrepreneurs start their first venture as the Corridor Principle will increase the likelihood of multiple venture creation. The best place to test entrepreneur's products is the market, as entrepreneurs will receive a real and accurate feedback from their customers. In addition, as soon as entrepreneurs start their ventures they will get into a corridor of new opportunities because of their interaction with several market actors. Entrepreneurs start their first businesses as a result of their background and professional network.

The entrepreneurship literature fails not recognise the contribution of the Corridor Principle in explaining the opportunity identification process. For this reason, this research will serve as a base for future studies of how the Corridor Principle could be incorporated into the current entrepreneurial opportunity recognition debate. This work argues this principle fits in the most discussed approaches as it explains how individuals' actions generate new opportunities through cognitive actions, access to new information and market disequilibrium identification. As it was mentioned above, these are some of the most significant assumptions for either Kirznerian and Schumpeterian approaches. The first step for a successful entrepreneurial career is to start a first venture and get into the market, but the Corridor Principle does not provide an explanation of how entrepreneurs have started their first business. Thus, more research is required to determine the entrepreneurs first venture creation path. A possible limitation of this study is the variety of industries the participants operate in, industries with different business strategies. This fact could influence the results: the Corridor Principle could more easily be identified in growing industries, while in mature industries it is arguably harder to recognise and exploit. As a result, it would be interesting to assess the effects of the business strategy in the opportunity recognition process but also how the principle's effect will vary depending on the industry where the venture operates.

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## APPENDICES

### APPENDIX A: Interviews questionnaire



Adam Smith  
Business School

### **A test of the Corridor Principle of entrepreneurial behaviour. A study of Colombian entrepreneurs**

ID: \_\_\_\_\_

#### I. PREAMBLE:

- Thank you for agreeing to participate
- Do you understand the objective of the study that you are participating in?
- What you tell me will be treated in the strictest confidence

#### II. THIS BUSINESS

1. Are you the founder and owner/co-founder of this business? Founder / co-founder
  - If co-founder prompt for number of co-founders and relationship with each other
  - If you are not the founder/co-founder what is your role in the business?
2. Did you start **this** business from scratch or buy it as a going concern?
  - When did you start/buy **this** business (year)?
3. Tell me about what your business does
  - Does it have a web site?
4. What was the opportunity that you spotted? Why was it an opportunity for you?

### III. PRIOR BUSINESS EXPERIENCE

5. Is this your first business? YES/NO

- If NO, how many businesses have you started:
- Details of previous business(es) started:
  - Date Started
  - Nature of the business
  - How similar/different to the present business
  - Current status
    - Closed – voluntary or involuntary
    - Still owned
    - Sold but still in existence
    - Number of employees
    - Annual sales
  - Reason(s) for starting new business
  - Nature of opportunity discovery

### IV. DEVELOPMENT OF CURRENT BUSINESS

6. Can you tell me about how this business has developed over time?

Specifically:

- Have you started another legally separate business since starting this business?
- Have you developed any additional products/services within this business?
- Have you extended into new geographical markets with this business?
- Have you attracted new kinds of customers for this business?

If YES to any of the above

- How was the opportunity identified?
- What resources were needed to expand and how were they obtained?
- Has expansion involved either a relocation of premises or the acquisition of additional premises?
- When (year) did these developments occur?

- Sales/employment in these new activities?

7. Have you seen opportunities since starting this business and gone for them?

8. Have you seen opportunities since starting this business and ignore/reject them?

If YES:

- Why not?
- Lack of resources?

9. Are there opportunities that you have spotted that you will exploit in the future?

## V. THE FOUNDER

Please tell me a little bit about yourself

10. Age now. Under 25, 25-34, 35-44, 45-54, +55

11. Age when you started the business

12. Age when started first business (if applicable)

13. Number of years running your own business

14. Age when leaving full-time education

- Do you have a university degree? (subject of study)
- Do you have professional qualifications (relevance to the business?)

## VI. CLOSE

Thank you very much for participating in this study  
Would you like me to email you a summary of the finding?