FROM OPPORTUNITY TO BUSINESS MODEL
—AN ENTREPRENEURIAL ACTION PERSPECTIVE

Irina Atkova
IRINA ATKOVA

FROM OPPORTUNITY TO BUSINESS MODEL—AN ENTREPRENEURIAL ACTION PERSPECTIVE

Academic dissertation to be presented with the assent of The Doctoral Training Committee of Human Sciences, University of Oulu for public defence in the Arina auditorium (TA105), Linnanmaa, on 30 May 2018, at 12 noon

UNIVERSITY OF OULU, OULU 2018
Atkova, Irina, From opportunity to business model—an entrepreneurial action perspective.
University of Oulu Graduate School; University of Oulu, Oulu Business School
Acta Univ. Oul. G 98, 2018
University of Oulu, P.O. Box 8000, FI-90014 University of Oulu, Finland

Abstract

The purpose of the present study is to theoretically and empirically examine how entrepreneurs create business models to capture opportunities. More specifically, this study focuses on the business model antecedents, in other words, entrepreneurial actions between the moment of opportunity identification and the inception of the functioning business model. By reviewing the extant literature on opportunity and business models, this study develops and argues for an action approach to understanding the business model creation process.

Focusing on theory development, this research follows a cyclical process of research-oriented action research, utilizing the diary method. In total, one hundred fifty five diaries were collected and analyzed for the purposes of this research. Four groups of respondents were included: the participants of a start-up accelerator program in Oulu, Finland; the participants of a project carried out at the University of Oulu, Finland; the participants of a venture creation training organized by the Business Model Design Center, Ålborg, Denmark; and two novice entrepreneurial teams based in Helsinki, Finland.

This study develops a conceptual model that illustrates how entrepreneurs create business models to capture opportunities. The model suggests that the process of business model creation is a continuous iteration of conceptualizing and contextualizing. Conceptualizing is associated with choices and decisions made under uncertainty, whereas contextualizing is about acting upon these choices and decisions, thereby testing their feasibility and acceptability against perceived reality. Conceptualizing triggers action as entrepreneurs try to actualize the choices and decisions they have made. Conceptualizing and contextualizing mutually support and reinforce each other by means of feedback loops: Changes in opportunity conceptualizations and/or business model conceptualizations necessitate modifications in their contextualization and vice versa.

The major contribution of this study lies in addressing what has previously been a mostly neglected area of research and explaining how entrepreneurs create business models to capture opportunities from the action perspective. From the methodological perspective, this study employs a novel combination of action research and the diary method, which allows investigating entrepreneurial actions in their natural setting.

Keywords: action research, business model, entrepreneurship, opportunity


Työn pääasiallinen kontribuutio on liiketoimintamahdollisuus, liiketoimintamalli, toimintatutkimus, yrittäjyys.
Acknowledgements

I have been dreaming about this moment already for a while – the moment when I will start writing the final and the most emotional part of my book. And here it is…What do I feel? It would probably take another book to describe the whole whirlwind of my thoughts, feelings and memories. On the one hand, I am happy this enormous project is over and proud that I was able to complete it; on the other, I am a bit lost. It took me nearly five years of my professional life to write this book and now the “thesis_final.docx” is looking at me from my screen. It is that feeling when you finish reading a book which characters have already become very familiar and dear to you, and you do not want to part from them but the book is over…

It is a pleasure that I have a possibility to thank those who made this thesis possible. I owe thanks to many people who shared with me my academic joys and supported during difficult times. First, I would like to express my gratitude to my supervisor Docent Petri Ahokangas. I appreciate beyond words your tactful guidance and constructive feedback. You are one of those rare people who can find a right approach to any person. I sincerely enjoyed every moment working with you. You gave me freedom to make my mistakes and never said: “I told you so…”. You allowed me to develop my own independent thinking and gave me courage to grow into a young scholar.

I am grateful to my pre-examiners, Professor Paul Timmers and Professor Timo Pihkala, for their valuable comments. I also want to thank my opponent Professor Lorenzo Massa. I feel honored to have a chance to discuss my research with you.

I want to thank my follow-up group members, Professor Jari Juga, Professor Sami Saarenketo and Ph.D. Martti Hyry who supported the process and made sure I was not falling (very much) behind the schedule.

I thank Professor Tuija Mainela and Professor Vesa Puhakka for supporting the process of my doctoral training.

I owe a debt of gratitude to Professor Christian Nielsen who acted as my supervisor during my research visit in Business Model Design Center, Ålborg University, Denmark. I would like also to thank Assistant Professor Jesper Chrautwald Sort and Ph.D. Fellow Peter Thomsen who made my stay in Business Model Design Center productive and memorable. Special thanks goes to Academic Officer and Ph.D. Fellow Kristian Brøndum Kristiansen who helped me tremendously in collecting data.
I must express my gratitude to all novice entrepreneurs who agreed to share their experiences with me. This work would not have been possible without you.

I have been privileged in receiving financial support for my doctoral studies from the Foundation for Economic Education, the University of Oulu Graduate School and Oulu Business School. I am also very grateful and proud for having been part of the Martti Ahtisaari International Doctoral Scholarship Programme.

I am indebted to many of my colleagues at Oulu Business School, especially at the department of Marketing, Management and International Business. I wish I had more space to mention you all by name. For particular reasons, however, I would like to highlight Marika Tuomela-Pyykkönen who helped me to orientate in the labyrinth of the academic world, and Marika Iivari who supported me a lot during the final stages of my doctoral training.

Finally, I owe my deepest gratitude to my family and devoted friends, especially to my husband Konstantin who survived all my periods of distress, patiently and lovingly supporting and encouraging me. Your questions of a pure engineer took me quite often unawares but helped to get a very different perspective on my work and clear my thinking. I am grateful to my parents for their continuous optimism concerning this work, enthusiasm and encouragement. Without you this study would hardly have been completed. I want to thank my son Konstantin Jr. who propelled this work to completion. Anna, Marina and Marja thank you for providing me with shelter during my visits to Oulu and reminding me that there is also life outside of the university.

I dedicate this work to my family.

Espoo, March 2018

Irina Atkova
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>cf.</td>
<td>conferre</td>
</tr>
<tr>
<td>e.g.</td>
<td>exempli gratia</td>
</tr>
<tr>
<td>et al.</td>
<td>et alia</td>
</tr>
<tr>
<td>etc.</td>
<td>et cetera</td>
</tr>
<tr>
<td>i.e.</td>
<td>id est</td>
</tr>
<tr>
<td>IE</td>
<td>international entrepreneurship</td>
</tr>
<tr>
<td>ION</td>
<td>individual–opportunity nexus</td>
</tr>
<tr>
<td>NVC</td>
<td>new venture creation</td>
</tr>
<tr>
<td>SEP</td>
<td>somebody else’s problem</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>USA</td>
<td>the United States of America</td>
</tr>
</tbody>
</table>
# Contents

**Abstract**

**Tiivistelmä**

**Acknowledgements**  
7

**Abbreviations**  
9

**Contents**  
11

## 1 Introduction

1.1 The objectives and scope of the research ................................................ 15

1.2 A delimitation of the study: Overcoming somebody else’s problem field ................................................................. 18

1.3 The research approach ........................................................................... 19

1.4 The outline of the study .......................................................................... 24

## 2 The theoretical background and framework  
27

2.1 Entrepreneurial opportunities ................................................................. 27

   2.1.1 The nature of entrepreneurial opportunities ................................. 28

   2.1.2 Sources of entrepreneurial opportunities ...................................... 29

   2.1.3 Opportunity-related processes ...................................................... 35

   2.1.4 Summary and critique................................................................... 37

2.2 Business models in the entrepreneurship research ............................... 38

   2.2.1 Conceptual origins: Business model and strategy ...................... 39

   2.2.2 Definition of the business model concept ..................................... 43

   2.2.3 Components of the business model construct .............................. 49

   2.2.4 Major themes in the extant literature on business models .......... 51

   2.2.5 Summary and critique................................................................... 56

## 3 The action perspective  
59

3.1 The action perspective on opportunities: Exploration and exploitation ............................................................................. 60

3.2 The action perspective on business models ............................................. 62

3.3 Opportunity, business model and action: A contextual perspective ........................................................................... 64

## 4 Research design  
67

4.1 The research philosophy ........................................................................ 67

4.2 The research strategy ............................................................................. 74

4.3 The diary method ................................................................................... 76

4.4 Data collection ........................................................................................ 78

4.5 Data analysis ........................................................................................ 81
5 Empirical analysis of the business model creation process

5.1 Visioning

5.1.1 Capturing the process of visioning

5.1.2 Visioning in an empirical context

5.2 Strategizing

5.2.1 Capturing the process of strategizing

5.2.2 Strategizing in an empirical context

5.3 Performing

5.3.1 Capturing the process of performing

5.3.2 Performing in an empirical context

5.4 Assessing

5.4.1 Capturing the process of assessing

5.4.2 Assessing in an empirical context

5.5 The dynamics of the business model creation process

6 Discussion and conclusions

6.1 “Going for a walk” in the context space: Discussion related to the research question

6.2 Comparison with earlier research

6.3 Business model creation from the action perspective: A conceptual model

6.4 The theoretical and methodological contribution of the study

6.5 The limitations of the study

6.6 Implications for further study and managerial practice

List of references

Appendices
1 Introduction

*Action is a foundational key to all success.*

Pablo Picasso

Henry Ford (1863–1947) is a rare example of a successful inventor and entrepreneur. He did not invent the automobile or the assembly line. Yet his continuous pursuit of lowering costs resulted not only in technical innovations but also in business innovations, allowing him to transform the automobile from an expensive rare object into a practical means of transportation that many middle-class Americans could afford. His engineering and business genius allowed him to see the business potential of an automobile as an invention and to create, perhaps, the first low-cost business model to capture the value that an automobile created. Later Henry Ford established Ford Motor Company and became a globally successful entrepreneur. This story vividly illustrates that a business model is essential for actualizing a potential opportunity and drawing profit from it. In turn, neither the exploitation and exploration of opportunity nor the low-cost business model are possible without entrepreneurial actions.

A business model is a concept that has clearly divided the scientific and managerial communities: The former has referred to it as a buzzword, a popular managerial concept, or just business jargon (Porter 2001, George & Bock 2011), whereas the latter has considered it to be a useful tool for describing, designing, challenging, and even inventing business. Only recently the scholarly attitude has started changing and research on business models have started gaining momentum. However, the opportunity concept still represents a cornerstone in entrepreneurship research. For instance, Shane and Venkataraman (2000) define the whole field of entrepreneurship, seen through the opportunity lens, as a “scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” (2000: 218). The definition has substantially influenced research in the entrepreneurship field: It has largely focused on the opportunities themselves, paying much less attention to the importance of the actions that an entrepreneur takes when developing and exploiting the opportunities (Corbett & Katz 2012). However, entrepreneurial action is an essential prerequisite for both opportunity and business model
actualization as both of them essentially lack agency (i.e., the capacity to act independently and make choices) (Shane 2003).

Developing an opportunity is just a first step on the entrepreneurial journey: An opportunity provides a basis for value creation. However, without a proper logic for value capture, even a groundbreaking opportunity remains Ding an sich, the thing-in-itself, detached from the business reality. In other words, further actions are required to build a business model framing value creation, delivery, and capture processes in order to actualize an opportunity (Teece 2010). Similarly, taking an entrepreneurial perspective on business models, George and Bock (2011) emphasize a critical link between business models and opportunity enactment. Eckhardt (2013: 413) emphasizes that

“while opportunities represent the feasible set of goods and services that can be brought to market at any given point in time, opportunities themselves are not businesses. For entrepreneurs to build businesses, they must successfully design business models that exploit specific opportunities.” (2013: 413)

Additionally, the extant literature also refers to business models as a key for exploring and exploiting opportunities (Zott & Amit 2010, Teece 2010, Chesbrough 2010).

The above suggests that business models and opportunities are generally perceived as naturally connected. However, the existing research does not explain how business models and opportunities are linked. Is a business model built around an opportunity? Is an opportunity part of a business model? Or are they two separately standing but interlinked phenomena? Therefore, the development of the opportunity-focused literature in entrepreneurship is predicated on our understanding of the business model creation process (Eckhardt 2013: 413). A better understanding of the business model creation process would benefit not only

---

1 It is of importance to emphasize that in the current research agency is not approached from the agency theory perspective that explains the relationship between an agent and a principal. There is lack of agency as a capacity to act in theorizing on business models, yet agency theory is well established and widely diffused in general entrepreneurship research (Zahra 2007).

2 The existing studies mostly focus on the relationship between business models and strategy (cf. Magretta 2002, Seddon et al. 2004, Shafer et al. 2005, Casadesus-Masanell & Ricart 2010, DaSilva & Trkman 2014), not giving “detailed information on how entrepreneurs create opportunities, or on how these opportunities lead to new business models” (Ojala 2016: 452). Similarly, Ahokangas and Myllykoski (2014: 9) emphasize that “the discussion around opportunities has largely focused on the ways in which entrepreneurs become involved with new opportunities (whether they are discovered or created), but what happens afterwards has rarely been discussed.”
the scientific community but also the managerial community by unveiling how a business model comes into being.

1.1 The objectives and scope of the research

Following on from the above discussion, the purpose of this study is to explore, describe, and understand the process of business model creation. This is a wide research topic, therefore, in the following a particular subject of this study is explained, i.e. zooming in on the research object is being done.

Traditionally, the research in the entrepreneurship field has concentrated on the study of entrepreneurs: their personality, motivation, intention, goal setting, commitment, and potentially their exceptional traits (Schumpeter 1934, Stevenson & Jarillo 1990). Later, attention shifted towards the study of corporate entrepreneurship, including the emergence of new organizations and the renewal of existing ones (Guth & Ginsberg 1990, Kaufmann & Dant 1990), the characteristics of the entrepreneurial process (Hofer & Bygrave 1992), opportunity recognition and development (Alvarez & Barney 2007, Baker & Nelson 2005, Eckhardt & Shane 2003, Sarasvathy 2001, Shane & Venkataraman 2000), strategic entrepreneurship (Hitt & Ireland 2000, Greve 2003), entrepreneurial behavior and cognition (Andersson 2002, Mitchel et al. 2004), and social entrepreneurship (Short et al. 2009). The international context has enlarged the field to include such topics as firm-specific characteristics (Zahra & George 2002), the internationalization process (Bell et al. 2003, Loane et al. 2007), and international opportunity development and exploitation (Oviatt & McDougal 2005). However, after Shane and Venkataraman (2000) specified the focus of the entrepreneurship field, the research has tended to largely orbit around the opportunity discussion.

Multiple studies have addressed the problem of defining an opportunity; sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and questions related to enterprising individuals (Shane & Venkataraman 2000, Sarasvathy 2001, Eckhardt & Shane 2003, Baker & Nelson 2005, Alvarez & Barney 2007). At the same time, research on entrepreneurial actions remains marginal. This situation is considered by Cobertt and Katz (2012) as rather paradoxical for a field defined by action. Entrepreneurship requires action (McMullen & Shepherd 2006): No action—no entrepreneurship. Opportunities cannot discover, evaluate, and exploit themselves—it is an entrepreneur who acts and thereby develops opportunities. As emphasized by Shane (2003), opportunities essentially lack agency.
A similar situation can be also observed in the scholarly discussion on business models. Ever since the emergence of the Internet and its massive adoption for e-commerce, scholars have been debating the nature of the business model, producing innumerable definitions, classifications, and typologies. However, much of the published work tends to be descriptive in nature, noting standard model types, citing examples of failed and successful models, or discussing the need for new models as conditions change (Morris et al. 2005, Hedman & Kalling 2003, Johnson et al. 2008). A lot of fuzziness and confusion about business models stem from the fact that when different authors write about a business model they do not necessarily mean the same thing.

There are several major streams in the research discourse on business model phenomena: business model definitions and taxonomies (Timmers 1998, Amit & Zott 2001, Morris et al. 2005, Mahadevan 2000, Alt & Zimmerman 2001); business model architecture and ontology (Afuah & Tucci 2001, Osterwalder & Pigneur 2002, Gordijn et al. 2005, Basu & Muylle 2011); business model applications (Chesbrough & Rosenbloom 2002, Rappa 2004); and change, growth, and innovation in business models (Earl 2000, Chesbrough 2010, Teece 2010). However, even though McGrath (2010) has emphasized the importance of entrepreneurial actions in the process of business model development, to the best knowledge of the author there are no studies that have specifically analyzed the actions of an entrepreneur with respect to business model creation. Yet, as in the case with opportunities, business models lack agency: no action—no business model. Therefore, from the agency perspective both the opportunity and business model constructs are closely linked via entrepreneurial actions. Moreover, a business model concept is not conceivable without an opportunity because a primary function of a business model is to exploit an opportunity (Zott & Amit 2010). In other words, actions enable the utilization of an opportunity through a business model.

The above discussion suggests that entrepreneurial actions make a difference as to whether or not an organization sees the light of day and becomes successful. Business model creation is impossible without an entrepreneur. The process of business model creation starts in the mind of an entrepreneur with an idea or conceptualization of a certain constellation of business model dimensions. The idea is then materialized into a concrete business model, with changes being made to the set of dimensions and to the importance of the various dimensions of the business model (Normann 1971). Thus, entrepreneurs’ actions play an essential role in the discovery, evaluation, and exploitation of opportunities, which fuels the
emergence of business ventures. Since entrepreneurs’ actions are crucial in the
creation and development of new ventures, it follows that attaining a better
understanding of what entrepreneurs actually do would greatly benefit the growing

To sum up, as suggested earlier, a business model is an essential prerequisite
for value capture; however, a business model cannot emerge without an opportunity
that forms the basis for the value creation and business model logic. Therefore, it
can be assumed that business models and opportunities are linked together. But how
are they interconnected? Additionally, business model creation is impossible
without an acting entrepreneur. Therefore, starting with the importance of both
entrepreneurial actions and there being an opportunity for the business model
creation process, the objectives of this research are both theoretical and empirical.

The theoretical objective of the research is, first, to determine how the concepts
of opportunity and business model can be linked together conceptually; second, to
define a business model concept that emphasizes the importance of entrepreneurial
actions; and, third, to elaborate on a theoretical framework for the action-oriented
study of the business model creation process.

The empirical objectives of this study are related to the theoretical objectives
of the research. The current study strives to develop empirically grounded
knowledge concerning the process of business models creation, in other words, to
empirically explore the actions of entrepreneurs that are associated with
opportunity development and exploitation. Given the theoretical and empirical
objectives of the study, the central question that is explored can be described as
follows: How do entrepreneurs create business models in order to capture
opportunities? The aim is to capture the entrepreneurial actions by which the
underlying opportunity and the business model are interconnected. It is noteworthy
that in this study an entrepreneurial action is perceived as being agent neutral
(Harper 2008), implying that entrepreneurial agency can be located not only within
a single individual (cf. Shane & Venkataraman 2000) but also within an
entrepreneurial team. The concept of an entrepreneurial team is widely debated
(Cooney 2005). Following Harper (2008: 617) for the purposes of this research, an
entrepreneurial team is defined broadly as “a group of entrepreneurs with a
common goal which can only be achieved by appropriate combinations of
individual entrepreneurial actions.”
1.2 A delimitation of the study: Overcoming somebody else’s problem field

As popularized by Douglas Adams (1982), the concept of the *somebody else’s problem* (SEP) field refers to the tendency that causes people to disregard issues that they are aware of but consider to be either not relevant or not something that they can do anything about (Hudson & Bruckman 2004). An SEP “relies on people’s natural disposition not to see anything they don’t want to, weren’t expecting, or can’t explain” (Adams 1982). This can lead to a situation when something of key importance to a group of people is being ignored by every member of this group:

“An SEP is something we can’t see, or don’t see, or our brain doesn’t let us see, because we think that it’s somebody else’s problem. […] The brain just edits it out, it’s like a blind spot. If you look at it directly you won’t see it unless you know precisely what it is. Your only hope is to catch it by surprise out of the corner of your eye.” (Adams 1982)

The above discussion has revealed that, in the field of entrepreneurship opportunity and business model discussions, though they are closely interconnected, they co-exist separately and treat the problem of agency as an SEP. However, as discussed above, entrepreneurs’ actions are critical for opportunity utilization, as well as business model creation. Even though the opportunity literature discusses the entrepreneurial action logics in the process of opportunity exploration and exploitation, it does not describe the actions that lead to business model creation.

Following McMullen and Shephard (2006), this research starts with the assumption that entrepreneurs’ actions are important and should be a starting point in theorizing about entrepreneurship. The author is well aware that not all entrepreneurship theorists share this assumption. Moreover, ecological theorists have left out actions from their theories (Aldrich 1999). However, there is an axiom that entrepreneurial actions are of key importance to entrepreneurial outcomes. Although economic circumstances, social networks, and even the assistance of public agencies can all play an important role in the emergence of new business ventures, it is ultimately the entrepreneur who identifies and shapes a business opportunity and who must sustain the motivation to persist until the job is done. (Shaver & Scott 1991). Whether or not an organization occupies a successful niche or whether or not it introduced an innovation is the result of actions and not a purely accidental process. Starting, developing, and defending a business form an active
process, not passive adaptation (Frese 2004). Such an active approach is slowly being accepted in entrepreneurship research as scholars start to take the idea that there can be both effective and non-effective actions in the market more seriously (McMullen & Shephard 2006, Sarasvathy 2001). This argument is in line with the Austrian school of economics, as well as Schumpeter’s theory of entrepreneurship.

Menger (1871) argued that economic analysis is universally applicable and that the suitable unit of analysis is a person and his or her choices. He believed that the logic of choice is the essential building block in the development of a universally valid economic theory. (Boettke & Leeson 2003). For Schumpeter (1934), the very hallmark of entrepreneurship was the active approach of the entrepreneur. According to Schumpeter (1934), an entrepreneur does not invent or find opportunities but it is his or her role to make them living, and realize them.

Yet, the scholars tend to distance themselves from the issue of agency, which is absolutely critical to recognize as both of the constructs essentially lack it (Shane 2003). Therefore, in this research we utilize the action perspective to bridge the gap between the opportunity and business model discussions. In other words, instead of focusing on either opportunities or business models, in this study the focus is on business model antecedents (Zott et al. 2011) (i.e., entrepreneurial actions between the moment of opportunity identification and the beginning of the business model functioning).

1.3 The research approach

Recent developments in business model conceptualization emphasize the need for continuous business model transformation in order to accommodate the changes in the competitive situation (Achtenhagen et al. 2013, Doz & Kosonen 2010). In other words, the calibration of a business model to the surrounding context on a constant basis is an essential prerequisite for business model sustainability—a company runs the risk of failure if it clings to habitual forms of operation. However, what needs to be calibrated? How is a business model linked to the external environment?

Analysis of multiple definitions coined over the last two decades leads to the conclusion that, generally, there are several common bases for defining a business model: value proposition, product or organization architecture, organization strategy, collaborative transactions, revenue sources, and business logic (Al-Debei et al. 2008, Baden-Fuller & Morgan 2010). Notably, some of the definitions rely on multiple bases (cf. Timmers 1998, Venkatraman & Hendersson 1998, Osterwalder 2005). However, conceptualizations of a business model as both value
creation and value capture logic, and as a business structure, architecture, or framework tend to dominate the discussion (Ahokangas & Myllykoski 2014). An ability to create and capture value in an inimitable way through the efficient utilization of rare resources is a way to gain a competitive advantage (Ahokangas et al. 2014). Therefore, it can be argued that a business model enables the attainment of a competitive advantage (Teece 2010, McGrath 2010). Additionally, Zott and Amit (2010) contend that the exploitation of a business opportunity is a primary function of a business model. Thus, from the above it follows that the business model concept can be considered to be anchored in the surrounding context via competitive advantage and business opportunity (Ahokangas & Myllykoski 2014, McGrath 2010, Teece 2010, Zott & Amit 2010).

Similar to business models, the identification and exploitation of opportunities are also strongly dependent on the external context. However, even though the interrelation between opportunities and the surrounding context is admitted, to date our understanding of the contextual influences on opportunities is rather limited (Shane 2012). Ontologically, there are three dominating views on the relationship between the external context and an opportunity (Gartner 2003, Alvarez & Barney 2007).

Adopting the realist position, Shane and Venkataraman (2000: 200) contend that “the opportunities themselves are objective phenomena that are not known to all parties at all times.” In other words, opportunities exist independently of the entrepreneurs in the external environment and they need to be discovered and exploited. Logically, this has important implications for the entrepreneurial actions—one must discover and exploit opportunities as soon as possible, otherwise an entrepreneur runs the risk of being outmaneuvered.

Another ontological position follows the subjectivist approach and contends that opportunities are created by the entrepreneurs (Alvarez & Barney 2007). Therefore, from this perspective the market can be seen as a creative process (Butler 2004). The creation view of opportunities implies that entrepreneurial actions do not boil down to searching and exploiting a certain given opportunity, rather they are iterative and explorative in nature, leading to experiential learning (Alvarez & Barney 2007, Gartner 2003).

The third approach tries to bridge the above-described ontological division by claiming that opportunities are concurrently objective and subjective phenomena—formed by external shocks and enacted by the entrepreneurs (Venkataraman et al. 2012): “most entrepreneurial opportunities in the world have to be made through the actions and interactions of stakeholders in the enterprise, using materials and
concepts found in the world” (Venkataraman et al. 2012: 26). This implies that entrepreneurs frequently do not follow only one course of action, be it discovery or creation, but rather switch between the two modes depending on the assumptions they make about the external environment.

From the above discussion an important conclusion follows. As illustrated above, neither an opportunity nor a business model can be fully conceived and captured without accounting for the external context (Ahokangas & Myllykoski 2014, Markides 2006, Teece 2010). Both concepts are essentially contextual and need to be calibrated in accordance with the contextual assumptions of an entrepreneur (Alvarez & Barney 2007). The lack of unanimity among the scholars concerning the definitions of the business model and opportunity concepts can be largely attributed to the absence of contextual understandings (Ahokangas & Myllykoski 2014). As Alvarez and Barney (2007) contend, the end result—an opportunity—can always be described in both discovery or creation terms, and as a combination of those. It implies that, detached from the context (i.e., specific entrepreneurial actions), opportunity theories remain theoretical abstractions without any empirical implications. Thus, context helps bridge the theoretical level of abstraction and the practical level of actions.

In the extant literature, business model creation is frequently associated with uncertainty, experimenting, trial and error, and subsequent learning (Chesbrough 2010, McGrath 2010, Morris et al. 2005, Teece 2010). McGrath (2010: 248) contends that “business models often cannot be fully anticipated in advance. Rather, they must be learned over time, which emphasizes the centrality of experimentation in the discovery and development of new business models.” In other words, the process of business model creation is inseparable from experiential learning. Additionally, it suggests that a business model is not a static, written-in-stone phenomenon, but that it is dynamic and evolving as the learning process develops. Experimentation allows for experiential learning and enables discovering the most effective business models for a certain context. From the experiential learning perspective, business model creation can be conceived of as a set of feedback loops (Casadesus-Masanell 2010).

In the same vein, Demil and Lecocq (2010) emphasize that business models essentially cannot be static—even the interaction between the building blocks of a business model bestow it with a dynamic nature. From the learning perspective, business models dynamics in the opportunity context reveals themselves in the interrelated processes of exploration and exploitation (March 1991, Ahokangas & Myllykoski 2014). Exploration refers to the pursuit of an opportunity through
creativity, experimentation, and learning, whereas *exploitation* refers to taking advantage of an opportunity by the “application of established competence to practice” (March 2006, Ahokangas & Myllykoski 2014).

To sum up, as described above, neither business models nor opportunities possess agency—only actions allow for their actualization. Additionally, both of the phenomena cannot be fully captured and explained without contextual considerations—otherwise, there is a risk of incomplete understanding. Furthermore, the process of business model creation capitalizes upon experiential learning developing over time. Thus, to explore the business model creation process, we need an approach that accounts for a) entrepreneurial actions, b) the external context, c) the learning process, and d) the time dimension. In other words, the ultimate challenge of business model creation is to optimally blend the actions and learning that account for context and process dynamics. While previous entrepreneurship research has addressed these elements separately (cf. Baker & Nelson 2005, Sarasvathy 2001, Teece 2010, Sosna et al. 2010), this study attempts to build a holistic picture.

The above suggests that exploring business model creation requires inquiring into the external context, learning process, and time dimension while one acts (Torbert & Taylor 2008). Elaborated by Torbert (1991) and Meyer (2003), the *territories-of-experience* approach allows not only the organization of such a balancing act but it also allows the systematic addressing of the business model creation process in a novel way. The new venture creation (NVC) perspective could be an alternative approach. However, the NVC literature does not provide the relevant conceptual tools to address the research question as it does not explain the link between the entrepreneurial opportunities, opportunity exploitation, and the emergence of organizations that would allow looking deeper within the direct and formal opportunity–individual relationship. (Dimov 2011). Therefore, the NVC research stream is not taken up in the current study. Instead, the territories-of-experience approach is utilized that allows not only to build a conceptual link between opportunity, business model and action but also to trace the contextual unfolding of business model creation process.

The four territories of experience include: 1) the outside world, 2) one’s sensed behavior and feelings, 3) the realm of thought, and 4) the realm of

---

3 It may sound self-evident that actions endow the concepts of opportunity and business model with agency, thereby linking the abstract theoretical constructs with practice. Yet, here the emphasis is on the problem of agency as a capacity to act that has not been previously discussed in connection with opportunities and business models.
vision/attention/intention (Torbert 1972). Essentially these territories describe the areas that are being activated in performing any action, with learning and development occurring when shifting between the territories. In other words, the four territories of experience link actions and experience. By moving from personal and intrapersonal realms to the organizational discourse, in the business opportunity context the four territories of experience include visioning, strategizing, assessing, and performing territories (Meyer 2003).

The visioning process essentially means imaging preferable futures. Strategizing implies modeling the ways to achieve the vision. At the performing stage, the choices are implemented and tested against reality. During the assessing process, the feedback received from the actions is analyzed and reflected upon, which has the potential to influence all the other actions related to business model creation. Entrepreneurial actions allow shifting between these processes, thereby mapping the context space (Graves 2015) and driving the process of business model creation (see Fig. 1). It is of particular importance to note that the processes of visioning, strategizing, assessing, and performing can occur sequentially, as well as run in parallel.

![Fig. 1. The research approach.](image)

One of the starting points for this research is that opportunity and business model lack agency. Yet, in this study, an action perspective, rather than agency theory, is employed since agency is approached as a capacity to act independently and make choices, rather than a relationship between an agent and a principal (Eisenhardt 1989).
1.4 The outline of the study

The structure of this research is guided by the above-discussed theoretical and empirical objectives (see Fig. 2). Chapter 1 introduces the research gap, defines the research objectives and scope, and presents and explains the research approach utilized in this study. Chapter 2 reviews and critically discusses the available research on opportunity and business models, as well as explores the implications of individual criticisms for the study objectives from the action perspective. This chapter serves as the first stepping-stone towards defining the theoretical approach of the empirical study of the business model creation process.

![Diagram of the outline of the study]

**Fig. 2. The outline of the study.**

Chapter 3 focuses on the theoretical approach of this research. In this, the conceptual connection between the phenomena of opportunity and business models is explained using the action perspective. The chapter closes with a theoretical framework for analyzing business model creation. Noteworthy about this chapter is that it aims at providing a theoretical approach to examining the empirical
phenomenon of business model creation, and it does not aim to form a theoretical understanding of the process.

Chapter 4 describes the methodology used in this study. It presents the research design, explains the research method and data collection process, and explicates how the data were analyzed. The chapter ends with a discussion on the quality of the study. In Chapter 5, the obtained data is presented, offering a preliminary understanding of how entrepreneurs create business models to capture opportunities. Based on this preliminary understanding, an empirical model of business model creation is developed.

Chapter 6 summarizes the research results and draws conclusions based on the empirical findings. It starts by answering the main research question and comparing the results with the earlier research. It proceeds by explicating the theoretical contribution and limitations of the study and ends by discussing the implications for future research, as well as the implications for managerial practice.
2 The theoretical background and framework

The purpose of this chapter is to provide an overview of the opportunity and business model streams of literature that are pertinent to this research. More specifically, by reviewing the available research the aim is, first, to provide theoretical justification for the research objectives and, second, to determine how the discussions about the opportunity and business models are connected in the extant research. This chapter serves as the first stepping-stone towards defining the theoretical approach of the empirical study of the business model creation process that is presented in the following chapters.

2.1 Entrepreneurial opportunities

Life is short,
[the] art long,
opportunity fleeting,
experiment dangerous,
judgment difficult.

Hippocrates

The field of entrepreneurship, with opportunity discussion as one of its major themes, strongly concurs with Hippocrates’s words. The identification of a fleeting opportunity is frequently viewed as a key in triggering the entrepreneurial process. For this reason, opportunity has been the subject of voluminous research in the entrepreneurship field (Baron 2006, Davidsson 2015). However, despite being at the center of close attention, even a brief literature review on entrepreneurial opportunities reveals the existence of multiple perspectives on the nature of entrepreneurial opportunities (Hansen et al. 2011). The situation is further aggravated by the fact that varying theoretical lenses and perspectives on entrepreneurial opportunity can be found, even within a single paper (Davidsson 2015). Obviously it leads to vagueness and inconsistency in the use of the opportunity concept, hampering building cumulative knowledge. Moreover, the literature on entrepreneurial opportunities does not seem to be divided into distinct streams, each of which would adhere to a common and consistent view. As a consequence, little progress has been made on several core questions related to the
opportunity discussion. There is still no unanimity among scholars concerning the nature, sources, and opportunity-related processes (Davidsson 2015). The extant literature on entrepreneurial opportunities remains fragmented and controversial, struggling to achieve internal consistency and there are many fundamental questions still unanswered (Davidsson 2015). Therefore, in order to capture the diversity of the opportunity-focused literature, we rely on Pettigrew’s (1987: 650) broad analytical approach, which consists of content, context, and process analysis. In the following we discuss the nature of opportunities, opportunity sources, and opportunity-related processes.

2.1.1 The nature of entrepreneurial opportunities

What is an entrepreneurial opportunity? Elusive, intricate, and intuitively appealing, the concept of opportunity has triggered much debate and caused increasing confusion (Renko et al. 2012). As noted by McMullen et al. (2007: 273) “a good portion of the research to date has focused on the discovery, exploitation, and consequences thereof without much attention to the nature and source of opportunity itself.” The complexity of the meaning of opportunities led some authors to come up with elaborate definitions in an effort to address as much conceptual intricacy as possible. For instance, Sarasvathy et al. (2003: 143) refer to an opportunity as

“a new idea(s) or invention(s) that may or may not lead to the achievement of one or more economic ends that become possible through those ideas or inventions (and) beliefs about things favourable to the achievement of possible valuable ends; and actions that generate and implement those ends through specific (imagined) new economic artefacts.”

One of the most cited definitions is provided by Eckhardt and Shane (2003: 336) who conceptualize entrepreneurial opportunities as “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means–ends relationships.” Yet others prefer to avoid defining the concept. According to Davidsson (2015), 80% of the articles on entrepreneurial opportunities do not provide any definition. And Klein (2008) questions the necessity of a precise definition as a prerequisite for scholarly progress, suggesting that it should be treated as a black box, like many other management concepts. Instead, he calls for focusing on what opportunities do. On the contrary, McMullen et al. (2007) emphasize that a proper understanding of the
nature and source of entrepreneurial opportunity is important for comprehending how markets function and come into being. Yet, the varying and frequently vague scope of the opportunity conceptualizations makes it difficult to generalize and find common threads related to the entrepreneurial opportunity (Hansen et al. 2011, Davidsson 2015). Having reviewed the definitions of the opportunity concept coined during the last two decades, Hansen et al. (2011) propose six generic definitions that fall into three broad categories: opportunity as a set of external conditions; opportunity as individual cognition; and opportunity as a social construction (Davidsson 2015). Nonetheless, what an opportunity is remains an open question.

In the context of international entrepreneurship (IE) research, the discussion on the nature of opportunities is further extended to include the concept of international opportunity. Oviatt and McDougall (2005: 538) offered a widely cited definition of international opportunity in IE: “the discovery, enactment, evaluation and exploitation of opportunities—across national borders—to create future goods and services.” Building on the work of Shane and Venkataraman (2000), the above definition borrows the core of the entrepreneurship research incorporating the international context.

2.1.2 Sources of entrepreneurial opportunities

As the questions regarding opportunity recognition, evaluation, and exploitation have come to the forefront of the entrepreneurship studies (Shane & Venkataraman 2000), the discussion on opportunity sources has attracted significant interest among the scholars. However, there is no unanimity regarding the nature or the origin of these opportunities (Zahra 2008).

Recent ontological discussions on the origin of opportunities have identified two dominating perspectives: discovery and creation (Renko et al. 2012, Korsgaard 2013). Some scholars view an opportunity as an objective phenomenon that exists in the external world, independent of an entrepreneur (Eckhardt & Shane 2003, 2010, 2013, Shane & Venkataraman 2000, Shane 2000, 2003, 2012). In this case the entrepreneurial process is triggered by opportunity discovery and continues with the exploration and exploitation of this opportunity (Shane & Venkataraman 2000). Others perceive an opportunity as linked to entrepreneurial cognition and emerging as a result of a creation process (Alvarez & Barney 2007, 2013). From this perspective, the entrepreneurial process facilitates the emergence of an opportunity and its subsequent exploration and exploitation.
The origins of the discussion on opportunity sources can be traced back to the theorizing of Joseph Schumpeter (1942) on entrepreneurship. He argued that technological innovations not only disrupt the market equilibrium but also serve as a source of entrepreneurial opportunities (Schumpeter 1942).

On the contrary, the Austrian school of economics objects to the unrealistic assumption of market equilibrium. Kirzner (1973) proposes a disequilibrium theory of the market, claiming that opportunities arise from imperfect knowledge and suboptimal decision-making by the market actors (Korsgaard 2011). He criticizes the neoclassical economic theory for neglecting the key role of entrepreneurship in economic life and gives the entrepreneur and entrepreneurial actions a central role in the economy (Kirzner 1973, Klein 2008). Contending the idea that entrepreneurship is essentially discovery or alertness to profit opportunities (Klein 2008), Kirzner (1973) laid the foundation of the discovery view in the opportunity discussion.

The basic argument of the discovery view of opportunities boils down to the idea that objective and favorable opportunities exist prior to the entrepreneurial process and they need to be discovered by alert entrepreneurs in order to be exploited (Eckhardt & Shane 2003, 2010, 2013, Shane & Venkataraman 2000, Shane 2000, 2003, 2012, Davidsson 2015). Following Kirzner (1973), Shane and Venkataraman (2000: 220) claim that “an entrepreneurial discovery occurs when someone makes the conjecture that a set of resources is not put to its best use.” The conjecture is essentially a belief predicated on the expectations of the market participants about the relative future value of the resources (Shane & Venkataraman 2000, Plummer et al. 2007, Zahra 2008). Eckhardt and Shane (2003: 338) define entrepreneurial discovery as “the perception of a new means–ends framework to incorporate information […] that has the potential to be incorporated in prices and thereby efficiently guide the resource allocation decisions of others.” In other words, the aim of an entrepreneur is to recognize an opportunity and to engineer new means–ends rules to exploit it. This suggests that the discovery perspective treats entrepreneurial actions as a response to opportunities (Klein 2008).

From the above it follows that entrepreneurial discovery is predicated on entrepreneurial alertness, reflecting the entrepreneur’s prior knowledge, usually revolving around market needs, ways of serving customers, and ways of addressing particular customer problems (Zahra 2008). Along these lines, Eckhardt and Shane (2003) specifically differentiate between information asymmetry, changes in supply and demand, and exogenous shocks as the origins of opportunity. Similarly, Holcombe (2003) suggests that opportunities arise from (1) factors causing market
disequilibrium, (2) factors enhancing production possibilities, and (3) prior entrepreneurial activity.

The discovery view of the source of entrepreneurial opportunity is the origin of the individual–opportunity nexus (ION) idea. The ION framework calls for simultaneous consideration of the sources of opportunities and individuals engaged in their discovery, evaluation, and exploitation, allowing an understanding of the entrepreneurial process though the interplay between an entrepreneur and an opportunity (Shane & Venkataraman 2000, Plummer et al. 2007, Davidsson 2015). According to Davidsson (2015: 680), within the discovery view and the ION, actors and opportunities are “assumed to pre-date the entrepreneurial journey, have varying characteristics, and jointly shape the process and its outcomes.”

This specific interpretation of the relationship between an entrepreneur and an opportunity has been met with considerable critique (Alvarez & Barney 2007, Klein 2008, Davidsson 2015). The critics argue that opportunities do not necessarily precede the entrepreneurial process but emerge within it as a result of social dynamics, whereas available resources may guide opportunity emergence (Sarasvathy 2001, Ardichvili et al. 2003, Alvarez & Barney 2007). As emphasized by Hjorth (2007: 713), consideration of the opportunity genesis, in other words “the time before there is an opportunity” is essential for the analysis of the entrepreneurial process. Besides this, the discovery view of opportunities has been criticized for being incomplete and neither able to explain the phenomenon of opportunities nor provide complex and nuanced descriptions of the entrepreneurial process (cf. Shane 2003, Shane & Venkataraman 2000, Baker & Nelson 2005, Berglund et al. 2007, Fletcher 2006, Klein 2008). Additionally, it has been argued that the discovery theory overlooks such important aspects as creativity (Dimov 2007a, b), social and relational dynamics (Fletcher 2006), emotional elements (Goss 2007), and subjectivity (Endres & Woods 2007), and it fails to explain entrepreneurial loss (Klein 2008, Davidsson 2015). Therefore, the discovery view needs to be supplemented or re-conceptualized to facilitate theoretical precision and guide empirical investigation to more fruitful designs (Alvarez & Barney 2007, Korsgaard 2013, Davidsson 2015).

The creation view of opportunities challenges the independence of the entrepreneurial perceptions and the objective existence of opportunities. On the contrary, opportunities are conceived as subjective and created by the actions of entrepreneurs (Alvarez & Barney 2007). While in discovery theory competitive opportunities are assumed to arise exogenously from technological changes, political and regulatory changes, and social and demographic changes (Shane
In creation theory, opportunities are created “endogenously, by the actions, reactions, and enactment of entrepreneurs exploring ways to produce new products or services” (Alvarez & Barney 2007: 15). In other words, opportunities are the result of entrepreneurial action that do not exist objectively but are created as entrepreneurs act on their subjective beliefs (Klein 2008): “Creation opportunities are social constructions that do not exist independent of entrepreneur’s perceptions” (Alvarez & Barney 2007: 15). While the discovery view treats entrepreneurial actions as a response to opportunities, the creation approach suggests that opportunities are the result of entrepreneurial actions.

The endogenous nature of opportunities suggests that the links between an opportunity and prior industries and markets are unknown until the opportunity has been created and acted upon. Therefore, according to Alvarez and Barney (2007), searching has no meaning in the context of the creation theory as the entrepreneurs do not search: “entrepreneurs act, and observe how consumers and markets respond to their actions.” (Alvarez & Barney 2007: 15). In turn, these responses frequently transform the initial beliefs of the entrepreneurs about opportunities, forcing them to take into account what they have learned and thereby making the process of opportunity exploration iterative. Contrary to Alvarez and Barney (2007), Zahra (2008) emphasizes that search, though of a different nature, is essential to both the discovery and creation processes: the discovery process is associated with passive searching, whereas the creation process is associated with proactive search. The characteristics of the search process influence the nature of entrepreneurial opportunities.

Furthermore, Alvarez and Barney (2007) suggest that neither searching nor the agency aspect have any meaning in the context of creation theory since opportunities are inconceivable without the entrepreneurial actions taken to create them. Consequently, opportunities are essentially social constructions, arising as a result of the interaction of an entrepreneur and the environment. In short, building upon evolutionary realist ontology, the creation view postulates that opportunities are essentially subjective (i.e., they do not exist independently of entrepreneurial perceptions) and are created in the course of the path-dependent learning process. (Alvarez & Barney 2007, Korsgaard 2013).

Whereas some of the schools of thought view the discovery and creation approaches as opposing, others approach them as complementary (Venkataraman et al. 2012, Renko et al. 2012) or even inseparable (Zahra 2008). For instance, Venkataraman et al. (2012) conceptualize entrepreneurial opportunities as being both made and found in and through objective, subjective, and intersubjective
interactions. Similarly, Renko et al. (2012) develop a coherent framework allowing reconciling the subjectively perceived and objectively discovered views of opportunity. The authors argue that the elements of both can be found in every entrepreneurial opportunity. In fact, according to Casson (2005), this idea has a long history in the theory of entrepreneurship and is most clearly expressed by Hayek in 1937.

Zahra (2008) makes a somewhat similar point. According to Zahra (2008: 243–244), opportunities emerge through the interplay of the discovery and creation processes:

“discovery and creation sometimes form a virtuous and dynamic cycle where entrepreneurial opportunities that have been discovered at a point in time become a platform for the creation of a myriad of additional opportunities at a later time. In turn, this sparks further discovery of varied and more lucrative opportunities.”

However, this cycle is not automatic but powered by contextual forces (Zahra 2008). Therefore, the author contends that a deeper understanding of the opportunity sources can be achieved by a closer examination of the contextual variables, including the motivations and behaviors of different actors and the setting where the opportunity unfolds. Continuing this line of argument, Williams and Wood (2015) emphasize that opportunity attractiveness depends on the favorability of the opportunity and the individual, as well as on environmental cues.

Similarly to Zahra (2008), Holcombe (2003: 33) develops an idea that the discovery of previously unnoticed profit opportunities leads to the creation of new opportunities through entrepreneurial actions “and the process continues cascading through the economy creating additional profit opportunities.” In other words, the author considers the entrepreneurial process that embraces both discovery and creation processes as the source of new profit opportunities and (similarly to creation view of opportunities) they are treated as a result of entrepreneurial actions.

Klein (2008) takes a step further in criticizing the discovery–creation distinction, arguing that it places too much emphasis on the ontology of an opportunity. Building on Knight (1921) and Kirzner (1973), he suggests that discovery and creation are purely metaphorical concepts, not decision-making frameworks. Klein (2008: 181) conceptualizes opportunities as imagined, emphasizing that “gains (and losses) do not come into being objectively until entrepreneurial action is complete, i.e. until final goods and services have been produced and sold.” The author perceives opportunities as a latent concept that is
reflected in real entrepreneurial actions. In other words, Klein (2008) suggests focusing on what opportunities do, rather than on what opportunities are. In turn, this allows sidestepping the problem of defining opportunities. Both Klein (2008) and Holcombe (2003) emphasize the centrality of entrepreneurial actions when considering opportunity sources. This resonates with Shane (2003) who emphasizes that opportunities themselves lack agency, suggesting the importance of entrepreneurial actions and fit with a specific opportunity.

Summarizing the above, in the extant literature there are four perspectives on the opportunity sources: the discovery, creation, discovery-creation, and action perspectives. The discovery view of opportunities postulates that an entrepreneurial opportunity is an objective phenomenon existing in the outside world and it needs to be discovered in order to be exploited. The entrepreneurial process is triggered by opportunity exploration and the opportunity predetermines the decision-making logic and choice of the appropriate means to exploit the opportunity.

The creation view of opportunities stays in juxtaposition to the discovery view. This approach postulates that opportunities are created in the process of social interaction, relying on heuristic learning. In this case, the entrepreneurial process is also triggered by the process of the exploration of new ways to create value.

The discovery-creation approach attempts to reconcile the two opposite views, admitting that even though opportunities exist objectively, formed by exogenous shocks to existing industries, they are subjectively perceived and enacted by the entrepreneurs.

The action view moves away from the abstract ontological discussion, emphasizing that opportunities are reflected in entrepreneurial actions. Though being rather close to the creation view of opportunities, the action perspective puts more emphasis on the ex-post processes of resource and personnel management (rather than the ex-ante processes of cognition), expectations formation, and business planning (Klein 2008). Thus, in general, all four perspectives differ in their approach towards entrepreneurial actions, whether they are responses towards exogenous shocks, endogenous, or the embodiment of an opportunity. However, even though all four approaches acknowledge a key role for entrepreneurial actions, at different stages in the process of opportunity exploration and exploitation most of the extant research employs an opportunity-focused perspective rather than an action perspective.
2.1.3 Opportunity-related processes

Every entrepreneurial journey is unique. In the attempt to explore and exploit opportunities, entrepreneurs follow certain cognitive logics, for instance, articulated cognition (Bingham et al. 2007), pattern recognition (Baron 2006), and the reassessment of assumptions (Haynie 2009). In the following, we focus on generic entrepreneurial action logics.

Frequently entrepreneurs are confronted with substantial resource constraints and are unable to attract human, financial, or other resources when they are needed (Shepherd et al. 2000). Nonetheless, they continue to pursue the opportunity despite resource limitations. The theory of entrepreneurial bricolage tries to explain what entrepreneurs do when faced with resource scarcity (Baker & Nelson 2005, Senyard et al. 2009). Its origins can be traced back to the theorizing of the French anthropologist Claude Lévi-Strauss. Though he did not offer any specific definition of the bricolage concept, he used it to distinguish between the actions of an engineer and a handyman or bricoleur (Lévi-Strauss 1966). The main difference is claimed to be in the logic of the actions: While the actions of an engineer are guided by the intended end result, the actions of a bricoleur are guided by the available resources (Fisher 2012). Since then the concept has been applied in a variety of contexts, including the field of entrepreneurship studies where it was defined as “making do by applying combinations of the resources at hand to new problems and opportunities.” (Baker & Nelson 2005: 333).

The above definition suggests the importance of the following: entrepreneurial improvisation, in other words the convergence of the designing and execution of novel action; creativity in combining the available resources for new purposes—frequently these resources are shaped for another function and adapted to the current application (exaptation); and active engagement with problems and opportunities (Baker et al. 2003, Dew et al. 2004). From the bricolage perspective an entrepreneur keeps on testing the received limitations, trying various solutions, observing the results, and dealing with the consequences (Baker & Nelson 2005). Thus, by accepting the objectivity of opportunity the bricolage perspective accommodates the uncertainty associated with the resource constraints through the heuristic process of resource combination and recombination. In other words, by shifting the attention towards the creation of the means–ends relationships (i.e., the exploration process of opportunities) the entrepreneurship theory of bricolage emphasizes that it is frequently not a clear and straightforward process but rather an ambiguous process, involving trial and error.
From the perspective of the bricolage theory the entrepreneurial process is predetermined by the available resources and the abilities of entrepreneur to grasp the possible uses and combinations of the “resources at hand” (Baker & Nelson 2005).

The entrepreneurship theory of effectuation is rather close to the entrepreneurial bricolage. Yet, whereas the latter treats the means and ends as a given, suggesting the possibility of achieving a given end in a variety of ways by combining and recombining the given means, the former only treats the means as a given, allowing an entrepreneur to create various ends. In other words, the theory of entrepreneurial bricolage assumes both the existence of certain scarce resources and an opportunity, and an entrepreneur has to enact the opportunity by creatively combining and recombining the available means. The theory of effectuation postulates that with a given set of available resources an entrepreneur can create various opportunities. Sarasvathy (2001: 253) defines effectuation as beginning “with a given set of means and contingent human aspirations to select from a set of possible effects imagined by the effectuator(s).” The above suggest that the effectuation logic is human centered (Vargo & Lusch 2004) and therefore relational, network oriented, and co-creational (Read et al. 2009).

Sarasvathy (2001) juxtaposes the action logic of the effectuation theory with the causation logic, according to which a particular opportunity is taken as a given and the attention is focused on selecting the means to create that opportunity (Sarasvathy 2001). The effectuation logic accommodates the uncertainty and dynamism of the environment by suggesting focusing on the available means over which an entrepreneur has more control rather than on the ends that are constantly changed, shaped, and constructed over time (Sarasvathy 2001, Fischer 2012).

From the perspective of effectuation theory, the entrepreneurial process is emergent and guided by the available means, which can be considered as rules endowing the entrepreneurial journey with a certain logic. At the level of an individual entrepreneur, these means refer to personal knowledge, skills, and social networks, whereas at the organizational level a range of tangible, as well as intangible, resources predetermines the path towards a desired goal (Barney 1991). Assuming the emergent nature of the entrepreneurial process, the effectuation logic is relevant in complex and dynamic environments where opportunity exploration and exploitation occurs via experiment and iterative learning (Fischer 2012).

Summarizing the above, the effectuation, causation, and bricolage theories differ in respect to the action triggers. The effectuation action logic assumes the available means as guiding the entrepreneurial process. In the case of causative
action logic, the desirable effect (in other words the opportunity) governs the process of resource management and the entrepreneurial journey. The bricolage perspective states that entrepreneurial actions are predicated by a given means and ends.

2.1.4 Summary and critique

In their seminal article “The promise of entrepreneurship as a field of research,” Shane and Venkataraman (2000: 218) defined the agenda for the entrepreneurship research to include questions related to

“1) why, when and how opportunities for the creation of goods and services come into existence; 2) why, when and how some people and not others discover and exploit these opportunities; 3) why, when and how different models of action are used to exploit entrepreneurial opportunities.”

In other words, by emphasizing the connection between the opportunity and the individual, the authors suggested looking beyond the individual in order to understand the entrepreneurial process. The content–context–process analytical approach (Pettigrew 1987) has revealed that since the publication of “The promise of entrepreneurship as a field of research,” much of the research in the entrepreneurship field has focused on the discovery-versus-creation discussion, as well as on opportunity-related processes.

However, from the empirical perspective the discovery-creation discussion seems to be irrelevant as, ex post, the end result—the opportunity—can always be described in both discovery or creation terms, and as a combination of those (Alvarez & Barney 2007). It implies that detached from the context (i.e., specific entrepreneurial actions) opportunity theories remain just theoretical abstractions without any empirical implications. Yet, the four-territories-of-experience approach allows for exploring entrepreneurial actions in the business context.

Additionally, even though the discovery and creation approaches are frequently viewed as opposite, they share a significant commonality (Dimov 2011). In both approaches, an opportunity goes through a process of objectification, becoming an entity outside the mind (Williams & Woods 2015). Yet in opportunity discovery it happens early in the process, when the circumstances representing an opportunity are identified, whereas in opportunity creation this happens later, when the subjectively represented ideas are validated (Williams & Woods 2015): “Once individuals objectify opportunities, they evaluate these opportunities for personal
attractiveness as they decide whether or not to invest time and money in them” (Williams & Woods 2015). In other words, entrepreneurial actions are predicated on opportunity evaluation, not on opportunity discovery or opportunity creation. Similarly, Klein (2008) views entrepreneurial judgment as a key driver of action.

Even though the opportunity-focused literature acknowledges the importance of the entrepreneurial actions, the concept of opportunity remains central. There is growing consensus that entrepreneurship is the process through which new economic activities and organizations come into existence (McMullen & Dimov 2013, Shane & Venkataraman 2000, Wiklund et al. 2011). The opportunity literature explores the particular strategies, techniques, heuristics, and mechanisms used by entrepreneurs in building new ventures and markets, however, it remains unclear how they lead to the creation of new companies since these mechanisms focus on simple and direct relationships between an opportunity and an individual (Venkataraman et al. 2012). Additionally, as emphasized by Dimov (2011: 61), to view an opportunity as discovered within a means–ends framework one needs to assume “complete foreknowledge of future states.” This approach assumes the linear development of the entrepreneurial process, pruning away all the fine details and peculiarities (Dimov 2011). As a result, the actual process of new venture creation remains opaque. Venkataraman et al. (2012) encourage focusing on the action–interaction nexus in order to better understand the process of new venture creation. Thus, the next question that needs to be asked is what different models of action are used for exploiting opportunities.

2.2 Business models in the entrepreneurship research

This chapter discusses the extant literature on business models by reviewing the conceptual origins of the business model phenomena, its definition, and its constituent elements, as well as delineating the major themes in the business model research field. Similarly to the previous chapter, the discussion is organized around the content, context, and process aspects (Pettigrew 1987) in order to capture the diversity of the business model literature and reveal the common issues.

---

4 In the next subchapter and Chapter 3, an idea of business model as action is theoretically grounded, justified and explained.
2.2.1 Conceptual origins: Business model and strategy

The emergence of e-commerce in the mid-1990s brought the term *business model* into the active vocabulary of managers and scholars. Yet the roots of the concept can be found much earlier in strategic management literature. According to Chesbrough and Rosenbloom (2002: 530), the origins of the business model term can be traced back to Chandler’s (1962) seminal book *Strategy and Structure*, implying that the term business model has been present in managerial (as well as in academic) discussion for over fifty years (Wirtz et al. 2015). Chandler (1962: 13) defines strategy as “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of the resources necessary for carrying out these goals.”

Additionally, Chesbrough and Rosenbloom (2002) assert that Ansoff’s (1965) ideas on corporate strategy and the definitions of corporate and business strategies by Andrews (1980) can be viewed as the predecessors of the business model definitions. The first definitions of the business model term were coined in the context of e-commerce (e.g., Timmers 1998, Afuah & Tucci 2001, Amit & Zott 2001). For instance, Timmers (1998: 4) claims that a business model is “an architecture for the product, service and information flows including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and a description of the sources of revenues.” Even though the technology context tends to dominate the research on business models, the contextual repertoire has expanded over the years to include industries ranging from music recording to airlines (Chesbrough 2010, Morris et al. 2005).

More specifically, Wikstöm et al. (2010) suggest that the concept of business model has emerged from the phenomena of a business idea and theory of business (Normann 2001, Porter 1998, Drucker 1994) as they help to understand how a firm adjusts its resources and capabilities to the external environment.

The above suggests that essentially the business model construct builds upon the central ideas of business strategy and its associated theoretical traditions. Wirtz et al. (2015) observe that in the history of business model discourse, the aspect of strategy has been constantly gaining prominence, influencing understanding of the business model as a concept (Wirtz et al. 2015).

The relationship between the concepts of a business model and strategy is an object of a heated discussion. In the extant literature there are two different views on the question: Some authors consider the concepts of a business model and
strategy as being roughly equivalent in meaning; others, though admitting a certain link between two phenomena, contend that these are two different concepts.

Building upon Porter’s (1996, 2001) definition of strategy, Seddon et al. (2004) claim that strategy and business model are substantially the same term with only some nuances in difference. In this case, given the terminological similarity, a business model as a concept does not add any value and “should be consigned to the trash-can along with the other ‘hype’ terms of the late 1990s” (Seddon et al. 2004: 428). Yet, they continue by proposing an alternative view of business models, different from Porter’s definition of strategy that adds value. The authors suggest viewing a business model as an abstraction of some elements of a firm’s strategy. From this perspective the abstract business model’s focus on the internal activity systems of an organization is aimed at creating value, whereas strategy is concerned with externally predetermined competitive positioning. In other words, according to Seddon et al. (2004), belonging to the model world, a business model is distinguished by a higher level of abstraction than strategy. Similarly, Casadesus-Masanell and Yofee (2007) see the business model as a meta-concept that exemplifies firm strategy. Viewing business models as abstractions paves the way for the later understanding of business models as models that can be investigated, used as recipes, or help in describing and classifying businesses (Baden-Fuller & Morgan 2010).

Relatedly, Casadesus-Masanell and Ricart (2010: 195) suggest that in a stable context the concepts of a business model and strategy are difficult to separate, yet they differ significantly in turbulent environments when “there are important contingencies on which a well-designed strategy must be based.” According to the authors, strategy refers to the choice of business model and ensuring competitiveness is the main focus of strategy. At the same time, a business model is primarily concerned with the organization of operations and value creation process. According to Casadesus-Masanell and Ricart (2010: 195), a business model is a reflection of a realized strategy.

Similar to Seddon et al. (2004), Magretta (2002: 94) argues that competitive positioning is a critical factor in differentiating between business model and strategy:

"Business models describe, as a system, how the pieces of a business fit together. But they don’t factor in one critical dimension of performance: competition. Sooner or later—and it is usually sooner—every enterprise runs
into competitors. Dealing with that reality is strategy’s job [...] A competitive strategy explains how you will do better than your rivals.”

However, contrary to Seddon et al. (2004), though acknowledging a link between strategy and a business model by explicitly referring to Drucker, Magretta (2002) does not equate strategy and a business model in any sense:

“Business models are, at heart, stories—stories that explain how enterprises work. A good business model answers Peter Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (Magretta 2002: 92)

And then she continues: “But a business model isn’t the same thing as strategy, even though many people use the terms interchangeably today” (Magretta 2002: 94). In other words, Magretta (2002) admits that there is a distinction and a relationship between two concepts.

Similarly to Magretta (2002), DaSilva and Trkman (2014) argue that there is a relationship and a clear difference between the two concepts. Adopting a time perspective, the authors suggest that strategy predetermines the dynamic capabilities of an organization and that they, in turn, frame company responses to contingencies through the business model. The authors also emphasize that strategy reflects what a company aims to become, while business models describe what a company really is at a given time.

According to another perspective on the relationship between a business model and strategy, the two concepts are closely interrelated but they are not substitutes. For instance, Shafer et al. (2005: 203) admit that a business model assists in strategy implementation by facilitating the analysis, testing, and validation of a firm’s strategic choices, yet a business model “is not in itself a strategy.” Also Morris et al. (2005), and Nenonen and Storbacka (2010) understand a business model as a realization of strategic choices. Along the same lines Tikkanen et al. (2005) theorize about the relationship between the concept of a business model and strategy. According to the authors, “the function of the strategy is to give meaning and direction to the development of the company’s business model.” (Tikkanen et al. 2005: 793). Similarly to the above, Tikkanen et al. (2005) contend that a business model is a realization of a strategic intention of a company.
Zott and Amit (2008) differentiate between novelty-centered and efficiency-centered business models. They advocate that a business model can be a source of competitive advantage, and a business model can be integrated into or separated from the company’s selected product market strategy. The authors view the concepts as complementary.

Wikström et al. (2010: 839) see a business model as “a critical link between strategy and operations in the organizational entity.” In other words, a business model allows for the designing and organization of the activities necessary to achieve strategic plans. In a similar vein, Richardson (2008) considers a business model as a framework that is necessary for strategy implementation.

The above-presented conceptualizations of the relationship between strategy and a business model consider strategy as giving impetus to the development of business models. On the whole, a business model as a concept is understood as a mirroring strategy on a practical level. Yet Venkatraman and Henderson (1998) view a business model as foregoing strategy. They explain that a business model is a coordinated plan to design strategy so as to achieve harmony along three vectors—customer interaction, asset sourcing, and knowledge leverage—supported by a powerful, integrated IT platform (Venkatraman & Henderson 1998).

From the above it follows that the relationship between a business model and strategy is rather intricate, which can be partially attributed to the possible conceptual overlap between the terms that makes some authors speak about a relationship between the two and makes others talk about terminological similarity given certain assumptions. Yet a business model tends to be understood to be focused on activities aimed at creating value for the customers and other stakeholders, whereas strategy is understood to focus on competitive positioning (Magretta 2002, Seddon et al. 2004, Wikström 2010).

The above discussion has clearly demonstrated that the concept of a business model has emerged and draws insights from previous research in the field of strategy. McGrath (2010) goes as far as to contend that the business model has evolved as a focal concept for strategy. According to Wikström et al. (2010), the ultimate goal is to understand the link between a firm’s strategy and its performance by utilizing various perspectives on strategy. In this vein, Martins et al. (2015) have identified three major perspectives on business model innovation that correspond to the core theoretical schools in strategy research: rational positioning, the evolutionary approach, and the cognitive approach. From the rational positioning view, business model innovation is a search for an optimal design, calibrated so as to achieve consonance with a constantly changing environment. The evolutionary
perspective celebrates incrementalism as a key to successful business model innovation. The cognitive approach, according to the authors, fails to explain the process of business model innovation.

Additionally, literature indicates that the business model construct can explicate the major strategic decisions made by a firm (Shafer et al. 2005, Casadesus-Masanell & Ricart 2010, Nenonen & Storbacka 2010). For instance, Casadesus-Masanell and Ricart (2010: 198) explain that a business model represents “concrete choices made by management about how the organization must operate and the consequences of these choices.” Therefore, consideration of the strategic components of business models is increasingly gaining importance (Wirtz et al. 2015), which is reflected in the definitions of the business model construct.

### 2.2.2 Definition of the business model concept

Ubiquitous, multivalent, multipurpose, and ambiguous and therefore, widely debated in academia—as well as among practitioners—the concept of business models has been already addressed in more than a thousand (and counting) peer-reviewed articles (Baden-Fuller & Morgan 2010, Zott et al. 2011). Yet, the notion still lacks a fixed definition or a common perspective (Doganova & Eyquem-Renault 2009). For instance, the business model concept has been approached in the extant literature from (among others perspectives) ontological, structural, systemic, processual, cognitive, narrative, and action perspectives (Ahokangas & Myllykoski 2014). Jensen (2013) differentiates between representational, functional, pragmatic, and systemic views of business models. Chesbrough and Rosenbloom (2002: 532) explain this situation by contending that being complex and multifaceted in nature, the business model phenomenon “integrates a variety of academic and functional disciplines” but fails to gain prominence in any of them. In a similar vein, Coff et al. (2013) underline that the business model concept touches on a host of important but disparate issues that vary in unit and level of analysis. On the contrary, Mason and Spring (2011) emphasize that exclusively attributing the business model concept to a specific field of knowledge would result in losing some of the flexibility and creative ambiguity of the business model notion. Similarly, acknowledging that business models lack a commonly accepted language, Zott et al. (2011) encourage researchers to examine the business model construct through different lenses and to build on the work of others.
Definitional pluralism has led Shafer et al. (2005) to talk about the identity crisis of the business model. Schneider and Spieth (2012: 3) described the above situation:

“academic research on the topic is blamed to lag behind practice and in particular to lack formalization and structure (Zott et al. 2011; Casadesus-Masanell and Ricart, 2010; Plé et al. 2010). Furthermore, the concept is argued to miss sufficient theoretical grounding (Sahu and Marko, 2007; Morris et al. 2005; Teece, 2010; George and Bock, 2011; Nenonen and Storbacka, 2010) and to be based on a multitude of differing and inconsistent theoretical approaches (Camisón and Villar-López, 2010; Zott et al. 2011; Casadesus-Masanell and Ricart, 2010).”

Recently, Baden-Fuller and Haefliger (2013) admitted that confusion with regard to the definition of the business model concept has diverted scholarly attention from far more important questions concerning the business model components and business model innovation. Yet George and Bock (2011) emphasize that construct boundaries are a necessary prerequisite for guiding future research. On the contrary, Jensen (2013) does not perceive the existing pluralism with regard to the definition of the business model concept as an obstacle hampering the cumulative research in the field but rather sees it as an asset since multiple perspectives may reflect reality better than any single conceptualization. According to the author, variety in understandings allows for flexibility and a better understanding of a particular research case.

The above discussion demonstrates that it is challenging to define the business model construct. Indeed, the extant literature abounds with business model definitions. In this regard Lambert and Davidson (2013) note that the definitions vary depending on the research purpose and theoretical perspective. Yet, LeCoq et al. (2010: 214) maintain that “although the business model is not (yet) a theory per se but rather […] a concept or tool which helps to describe an economic activity, or potentially a ‘framework’ (Teece 2007) […] it presents the features of a research programme.” Table 1 illustrates the evolution of the business model conceptualization over the last twenty years, during which time the concept has enjoyed vast academic, as well as managerial, attention.
Table 1. The evolution of the business model conceptualization.

<table>
<thead>
<tr>
<th>Author (year)</th>
<th>Definition of the business model concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timmers (1998)</td>
<td>“An architecture for the product, service and information flows including a description of the various business actors and their roles, the potential benefits for the various business actors, and the sources of revenues” (p. 4).</td>
</tr>
<tr>
<td>Amit &amp; Zott (2001)</td>
<td>“A business model depicts the design of transaction content, structure, and governance so as to create value through the exploitation of business opportunities” (p. 493).</td>
</tr>
<tr>
<td>Chesbrough &amp; Rosenbloom (2002)</td>
<td>“The heuristic logic that connects technical potential with the realization of economic value” (p. 529).</td>
</tr>
<tr>
<td>Dubossen-Torbay et al. (2002)</td>
<td>“A business model is the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship capital to one or several segments of customers in order to generate profitable and sustainable revenue streams” (p. 7).</td>
</tr>
<tr>
<td>Magretta (2002)</td>
<td>“Business models are, at heart, stories that explain how enterprises work. A good business model answers Peter Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (p. 87).</td>
</tr>
<tr>
<td>Morris et al. (2005)</td>
<td>“A concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” (p. 727).</td>
</tr>
<tr>
<td>Osterwalder et al. (2005)</td>
<td>“Business model is a blueprint of how a company does business” (p. 4).</td>
</tr>
<tr>
<td>Shafer et al. (2005)</td>
<td>“A representation of the underlining core logic and strategic choices for creating and capturing value within a value network” (p. 202).</td>
</tr>
<tr>
<td>Johnson et al. (2008)</td>
<td>“A business model consists of a number of interlocking elements that, taken together, create and deliver value” (p. 52).</td>
</tr>
<tr>
<td>Doganova &amp; Eyquem-Renault (2009)</td>
<td>“A business model is a scale model of a new venture, which aims at demonstrating its feasibility and worth to the partners whose enrolment is needed” (p. 1568).</td>
</tr>
<tr>
<td>Baden-Fuller &amp; Morgan (2010)</td>
<td>“Business models can be found as exemplar role models that might be copied, or presented as nutshell descriptions of a business organization [...] equivalent to scale models”(p. 167).</td>
</tr>
<tr>
<td>Chesbrough (2010)</td>
<td>“A business model is a cognitive map of business logic” (p. 361).</td>
</tr>
<tr>
<td>Author (year)</td>
<td>Definition of the business model concept</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Demil &amp; Lecocq (2010)</td>
<td>“The business model concept refers to the articulation between different areas of a firm’s activity designed to produce a position of value to customers. Two different uses of the term can be noted. The first is the static approach – as a blueprint for the coherence between core business model components. The second refers to a more transformational approach, using the concept as a tool to address change and innovation in the organizations, or in the model itself.” (p. 227).</td>
</tr>
<tr>
<td>Doz &amp; Kosonen (2010)</td>
<td>“Business models stand as cognitive structures providing a theory of how to set boundaries to the firm, of how to create value, and how to organize its internal structure and governance” (p. 371).</td>
</tr>
<tr>
<td>McGrath (2010)</td>
<td>“A job that is never quite finished” (p. 248).</td>
</tr>
<tr>
<td></td>
<td>“A business model concept is a powerful idea for strategic thinking and strategic research, and allows us to shift focus from pre-occupation with the resources a firm has, to the use to which those resources are put” (p. 260).</td>
</tr>
<tr>
<td>Teece (2010)</td>
<td>“A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers” (p.173).</td>
</tr>
<tr>
<td>Zott &amp; Amit (2010)</td>
<td>“A system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm, in concert with its partners, to create value and also to appropriate a share of that value” (p. 216).</td>
</tr>
<tr>
<td>George &amp; Bock (2011)</td>
<td>“the design of organizational structures to enact a commercial opportunity” (p. 99).</td>
</tr>
<tr>
<td>Mason &amp; Spring (2011)</td>
<td>“business models might also usefully be understood as bundles of practices that become institutionalized in the performance of actors as individuals, in firms, in business networks and in markets, across multiple sites over time” (p. 1038).</td>
</tr>
<tr>
<td>Baden-Fuller &amp; Haefliger (2013)</td>
<td>“A business model is ‘a system that solves the problem of identifying who is (or are) the customer(s), engaging with their needs, delivering satisfaction, and monetizing the value” (p. 419).</td>
</tr>
<tr>
<td>Baden-Fuller &amp; Mangematin (2013)</td>
<td>“cognitive instruments that embody important understanding of causal links between traditional elements in the firm and those outside” (p. 418).</td>
</tr>
<tr>
<td>Nielsen &amp; Lund (2014)</td>
<td>“The business model is […] the platform that connects resources, processes and the supply of a service which results in the fact that the company is profitable in the long term” (p. 6).</td>
</tr>
<tr>
<td>Bocken et al. (2015)</td>
<td>“The framework of a ‘business model’ might provide a structured way for sustainable business thinking by mapping the purpose, opportunities for value creation across the network, and value capture (how to generate revenue) in companies” (p. 42).</td>
</tr>
<tr>
<td>Martins et al. (2015)</td>
<td>“cognitive structures that consist of concepts and relations among them that organize managerial understanding about the design of activities and exchanges that reflect the critical interdependencies and value creation relations in their firms’ exchange networks” (p. 105).</td>
</tr>
</tbody>
</table>
A business model for sustainability helps describing, analyzing, managing and communicating (i) a company’s sustainable value proposition to its customers, and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries” (p. 6).

Ritter & Lettl (2017) “A business model explains how an actor is positioned within a value network or supply chain, and how a business turns inputs into outputs while fulfilling its goals” (in print).

An analysis of the definitions presented above prompts several conclusions. First, there are two dominating approaches towards business model’s definition: the essentialist and instrumental approaches (Doganova & Eyquem-Renault 2009, Jensen 2013). Essentialists view a business model as a description, representation, and blueprint of reality. From the instrumental (Doganova & Eyquem-Renault 2009) or transformational perspective (Demil & LeCocq 2010), a business model is a tool possessing explicative and predictive power with regard to the value created by a venture (Amit & Zott 2001), as well as a method to address change and innovation in the organization or in the model itself (Demil & LeCocq 2010). In other words, the functionalist view approaches a business model as forward-looking and being able to envisage the future.

The essentialist approach implies a static understanding of a business model concept, whereas the instrumentalist approach is more dynamic. Contrary to approaching business models as static representations of reality, McGrath (2010: 248) emphasizes that a business model “is a job that is never quite finished,” implying that business model development involves experimentation, discovery, and learning along the process. Similarly, Demil and LeCocq (2010) maintain that dynamism is an essential feature of the business model concept that is revealed through interactions between and within the core model components. According to the authors, business model sustainability can only be achieved by constantly refining and adopting a business model to its environment. Likewise, by asking what a business model does, rather than what a business model is, Doganova and Eyquem-Renault (2009) conceptualize business models as “market devices” that facilitate the emergence of the innovation networks through circulating “narratives” and “calculations.”

Second, most of the definitions are confined to either the network or firm level. The first conceptualizations largely discussed the business model phenomenon in terms of a network in order to explain how back then new types of Internet-based
businesses generated profit. In the exemplary definition by Timmers (1998) a business model is viewed as a description of the different roles of network actors and the product, service, and information flows between them. At the network level (i.e., at the level of market, industry, strategy) the overall direction, competitive advantage, sustainability, and interaction across organizational boundaries are the concerns (Morris et al. 2005).

As the idea of the business model became more widely adopted, it has come to be applied mainly at the firm level (Mason & Spring 2011). At the firm level (i.e., at the level of operations) the focus is either solely on the logic of profit generation or more broadly on the infrastructure and processes enabling value creation. Yet at the level of the individual entrepreneur the business model tends to be ignored (with the exception of those definitions that approach the business model concept from the cognitive perspective). However, these cognitive perspective definitions are largely concerned with the cognitive representation of reality: they consider business models as happening exclusively in the minds of entrepreneurs, without moving onto the level of practice, the level of actions. In other words, the majority of the definitions restrict themselves to either an individual enterprise or network. However, expanding the scope of business model definitions to include not only the firm and network levels but also the level of entrepreneurial actions can generate new insights for academics and managers alike (Mason & Spring 2011).

Third, the conceptual focus of the definitions tends to shift between various activities and value. In some definitions more emphasis is put on the firm activities, whereas in the others it is put on value creation, delivery, and capture. For instance, Osterwalder and Pigneur (2010) focus on the value-related processes at the firm level while Zott and Amit (2010) have activities as the conceptual focus of the business model phenomenon in relation to the value network. Similarly to Osterwalder and Pigneur (2010), Foss and Saebi (2017) emphasize the firm’s value creation, delivery, and capture mechanisms. Yet, it is not the mechanisms per se that are important, but the complementarities between them. Likewise, Amit and Han (2017) propose a value-creation-centric perspective for resource organization that underlines the company’s business model.

Fourth, the evolution of the business model definition over the last two decades has reflected the increasing importance of the strategic components of business models, accentuating the origins of the concept (Morris et al. 2005, Wirtz et al. 2015). Analyzing the business model definitions, Morris et al. (2005) have divided the available conceptualizations into economic, operational, and strategic conceptualizations, emphasizing that the phenomenon tends to be largely defined
at the strategic level. Even though the extant discussion on business model definitions draws attention to the lack of common perspective and shared understanding, most of the conceptualizations tend to emphasize similar aspects. Value creation appears to be the core element in the majority of the definitions. Most of the scholars tend to agree that one of the key functions of a business model concept is to explain how value is created. Additionally, the financial aspect, describing costs and benefits and their distribution among involved stakeholders (Boons & Ludeke-Freund 2013)—frequently referred to as “revenue model,” “revenue logic,” “profit potential,” or “value capture”—is also mentioned. Furthermore, the business model is frequently defined from a network perspective and revealed in terms of, for instance, “links to external stakeholders,” a “network of partners,” or a “configured value network.” Doganova and Eyquem-Renault (2009) view the business model exclusively as a “market device,” in other words as an intermediary between the actors of an innovation network. Also, resources, capabilities, and strategic decisions are among the frequently discussed components of business model conceptualization. Yet value creation and value capture appear to be the core elements in the majority of the definitions (Ahokangas & Myllykoski 2014, Nenonen & Storbacka 2010, Boons & Ludeke-Freund 2013, Foss & Saebi 2017, Teece 2017). Additionally, Shafer et al. (2005) identify the strategic decisions associated with making choices as a unifying element in many business model conceptualizations. Clarke and Freytag (2011) summarize that generally a business model definition includes four main elements: links to the surroundings; links within the firm; aims towards the surroundings; and aims of the firm.

In a recent study Massa et al. (2017) claim that business model conceptualization falls into one of three categories: (1) business models as the attributes of real firms, (2) business models as cognitive or linguistic schemas, and (3) business models as formal conceptual representations/descriptions of how an organization operates. According to the authors, different interpretations of the business model concept are related to and can be explained by the various business model roles.

2.2.3 Components of the business model construct

Unifying business model elements have attracted much scholarly attention and led many authors (e.g., Hedman & Kalling 2003, Morris et al. 2005, Shafer et al. 2005, Johnson et al. 2008, Osterwalder & Pigneur 2010) to try to distinguish and list the
essential elements of a business model. For instance, Hamel’s (2000) framework includes customer interface, core strategy, strategic resources, and a value network. Afuah and Tucci (2001) presented a list of components including customer value (a distinctive offering or low cost), scope (customers and products/services), price, revenue sources, connected activities, implementation (required resources), capabilities (required skills), and sustainability. Hedman and Kalling (2003), emphasizing the need for a business model framework to reflect causal relationships and the dynamics of change, distinguish between seven business model components (customers, competitors, offerings, activities and organization, resources, the supply of factor and production inputs, and a longitudinal process component) in order to cover both the dynamics of the business model, and the cognitive and cultural constraints that managers need to account for. Johnson et al. (2008) identify four key elements of a business model: the customer value proposition, the profit formula, key processes, and key resources. Alternatively, Osterwalder and Pigneur (2010) created the “Business Model Canvas” with nine building blocks: value proposition, partners, activities, resources, customer relationships, channels, customer segments, cost structure, and revenue streams. Drawing on technology and innovation studies, industrial marketing, operations strategy, and evolutionary economics, Mason and Spring (2011) discuss technology, market offering, and network architecture as the major constituent parts of a business model.

Though seemingly diverse, business model frameworks tend to converge on certain aspects, namely: resource structure, transactive structure, and value structure. Resource structure refers to the firm’s organizational architecture and core resources, transactive structure describes key relationships with partners and stakeholders, and value structure includes the rules and mechanisms of value creation and capture activities (George & Bock 2011). In a similar vein, Zott et al. (2011) admit that, despite conceptual differences among the researchers, the activities of a focal firm and its partners, as well as value creation and capture processes, play an important role in the various definitions of business models that have been proposed.

Additionally, it is emphasized that the ultimate goal of a business model concept is to explain how value for the customers is created. Also it is implied that no organization is an island—value creation and capture is only possible within a network.

Overall it is accentuated that business model elements are closely interrelated: change in one component triggers changes in the whole system (Zott & Amit 2010,
Sustainable and competitive business models are distinguished by coherence and fit between the components within the business model, as well as by the consonance between the components and the external environment (Magretta 2002, Teece 2010). According to Wirtz et al. (2010), an inability to adapt a business model (i.e., its constituent parts) in the face of significant environmental change is deadly for firms. And Magretta (2002) maintains that business models allow managers to ensure the optimal fit between the model constituents by drawing attention to the key questions about the business, such as who the customers are, what value proposition is, or how to capture value.

### 2.2.4 Major themes in the extant literature on business models

Even though there is no unanimity among scholars with regard to a business model definition (its constituent parts and a number of fundamental questions still being unanswered [Zott & Amit 2013]), nevertheless, there are distinct themes in the business model research. The business model concept has been addressed within three major contexts: technological, organizational, and strategic contexts (George & Bock 2011, Zott et al. 2011, Boons & Ludeke-Freund 2013, Lambert & Davidson 2013, Wirtz et al. 2015). In turn, each context has facilitated the development of certain themes within the business model research field.

The concept of a business model has attracted the attention of academic and practice communities and gained widespread usage within the technological context—until 2000 the notion of business models was largely only associated with Internet-based businesses. Indeed, Shafer et al. (2005) reviewed 12 definitions in established publications over the period 1998–2000 and found that eight were related to e-business. To date, the technological context remains prevalent—having reviewed 49 conceptual studies during the period 1975–2009, Zott et al. (2011) reveal that almost one fourth of the studies are related to e-business.

At the beginning of the millennium entrepreneurs resorted to the phenomenon of business models to explain how to capitalize on the new technologies and how new types of business based on e-commerce would actually make money (Mason & Spring 2011). While practitioners perceived it as a convenient tool for illustrating and communicating about web-based businesses to external stakeholders, the scholars tried to understand what a business model actually is and to put the concept within certain research boundaries. Hence, there is a substantial body of literature that deals with the business model definition, as already addressed above. The business model has been referred to as an architecture (Dubosson-Torbay et al. 2010).

The explosive development in electronic commerce that happened with the advent of the Internet has enabled the emergence of the variety of new business models. Thus, in addition to the attempts to understand what a business model is, scholars have tried to describe e-business model taxonomies and typologies. Baden-Fuller and Morgan (2010) explain the difference between taxonomies and typologies by linking them to kinds that are developed bottom-up and types that are derived top-down correspondingly. Of note is that in the literature on business models the words typology and taxonomy tend to be frequently used synonymously. For instance, Timmers (1998) distinguishes between eleven e-business models based on the degree of innovation and functional integration. On one end of the continuum are e-shops, designed to only promote a company and its goods and services, and characterized by a low level of innovation. In other words, e-shops are just an electronic version of the traditional way of doing business. On the opposite end of the continuum are value chain integrators that incorporate multiple functions and display a high degree of innovativeness. Value chain integrators are highly dependent on the new technologies that facilitate and integrate the information flows across networks.

Depending on the value proposition and focal activities, Wirtz (2000) describes four e-business model types: content-oriented, commerce-oriented, context-oriented, and connection-oriented models. Based on the source of value creation,
Amit and Zott (2001) differentiate between efficiency-centered business models that are focused on transaction efficiency, novelty-centered business models that are characterized by innovative transaction structuring, lock-in-centered business models that are aimed at preventing customer and partner migration to competitors, and complementary-centered business models that provide a package of accompanying products and services to a customer rather than a single product or service. Similarly, Rappa (2001) categorizes companies according to the nature of their value propositions and their modes of generating revenues. Applegate (2000) discusses six e-business models: focused distributors, portals, producers, infrastructure distributors, infrastructure portals, and infrastructure producers. Based on six exchange dimensions (namely: the number of buyers, the number of sellers, the type of sellers, the nature of the product offering, the frequency of the product offering, and the price mechanism), Bienstock et al. (2002) distinguish forty business model types in the business-to-consumer context and over fifty business model types in the business-to-business environment. More recently, in the context of open source software Casadesus-Masanell and Llanes (2011) consider open source, open core, open edge, and proprietary business models based on the openness of base software and software extensions. What is common to all approaches is the attempt to catch the variety of different business models within and across industries and to create a coherent classification, be it a typology or taxonomy, in order to make their study and analysis easier and more structured (Wirtz et al. 2010).

In addition to developing typologies and taxonomies, the scholars attempted to specify the essential components of a business model. As the discussion in the previous chapter illustrates, since the year 2000 theorists have created dozens of lists of business model components, all differing slightly from one another but converging on the most important aspects: resources, transactions, and value structures. (George & Bock 2011).

The topic of business model creation, i.e. designing and implementing organizational business logic from the outset (McMullen & Shepherd 2006), is closely associated with the above-described theme but has received only scant attention in the extant research (Ojala 2016). Scholars are mostly preoccupied with listing and (re)grouping the essential business model elements offering static perspective of how a firm functions and creates value (Cosenz & Noto 2017). Yet they do not explain how to arrive at those elements. For instance, Cosenz and Noto (2017) develop a dynamic business modelling approach which boils down to linking the conventional Business Model Canvas elements (Osterwalder & Pigneur
2010) through a system of causal interdependencies. However, the question of how to create these elements remains unanswered. Similarly, addressing the question of business model creation, Wrigley and Straker (2016) use the Business Model Canvas (Osterwalder & Pigneur 2010) to develop five archetypal business models. The authors propose a logical sequence of activity for each business model type which explains “how each typology would likely have been executed as mapped by the business model canvas” (Wrigley & Straker 2016: 13). Likewise, Storbacka et al. (2012), though aiming at investigating how a focal market actor may design and redesign business models thereby improving value co-creation, identify 12 categories of business model design elements that need to be defined and developed in parallel.

Ojala (2016) develops a theory of business model creation and evolution. According to Ojala, business model creation is associated with the process of opportunity enactment. Yet he does not open up how the process of opportunity enactment and business model creation unfolds.

In the similar vein, Ahokangas and Mylykoski (2014) develop a framework that allows understanding business model creation and transformation as practices of visioning, strategizing, performing and assessing. However, the authors only develop a conceptual model of business model creation and transformation and do not present empirical data.

Zott and Amit (2007, 2008) introduce the design themes to characterize business models. Yet, as the authors later admit, we still do not know much about how of business model design (Amit & Zott 2014). Amit and Zott (2015) make a step further towards understanding the process of business model creation by focusing on the antecedents of business model design and linking them to the specific design themes, yet the process of business model creation remains a “black box”.

In sum, extant research on business models does not provide much insight into the process of business model creation focusing mostly on the business model design elements or themes.

Another body of literature within the technology domain focuses on how innovative technologies are commercialized through business models. The major emphasis is on explaining how a specific business model design facilitates eliciting economic value from novel technologies (Chesbrough & Rosenbloom 2002, Teece 2010, Wirtz et al. 2015). Providing the examples of Wal-Mart, Dell, and Southwest Airlines, Chesborough (2007) emphasizes that it is impossible to rely solely upon a novel idea or technology to generate value: “Business models matter”
In turn, it is widely recognized that technological innovation is frequently impossible without the capacity for business model innovation (Teece 2010). Therefore, in this research stream the concept of a business model is approached simultaneously as a vehicle for translating technical success into profits and as an object of innovation itself (Mitchell & Coles 2003, Zott et al. 2011).

Similarly to the problem of the business model definition, there are various understandings of business model innovation (cf. Magretta 2002, Morris et al. 2005, McGrath 2010, Sosna et al. 2010). However, there is a growing consensus that business model innovation is a key to firm performance (e.g., Demil & Lecocq 2010, Sosna et al. 2010, Chesbrough 2010) and can assume different forms, for instance, the forms of open innovation (Chesbrough 2003) or collaborative entrepreneurship (Miles et al. 2006).

The technology context paves the way for the organizational setting where a business model is approached as a tool for representing, planning, and structuring business in order to achieve organizational efficiency (Boons & Ludeke-Freund 2013, Wirtz et al. 2015: 3). Several authors have attempted to capture a business model via textual or graphical representations. For instance, Tapscott et al. (2000) suggest creating a value map for depicting how a business web operates. The value map describes all the key classes of participants, as well as tangible, intangible, and knowledge exchanges between them. Focusing on the stakeholders, their relationships, and product and information flows, Weill and Vitale (2001) propose e-business model schematics that are intended to help in analyzing and designing the e-business initiatives. Osterwalder and Pigneur (2010) argue that any business can be represented and analyzed using the Business Model Canvas that consists of nine building blocks: value proposition, partners, activities, resources, customer relationships, channels, customer segments, cost structure, and revenue streams. In a similar vein, Maurya (2009) argues that any business can be depicted as a lean canvas, which focuses on problems, solutions, key metrics, and competitive advantages. If the business model canvas lays down the infrastructure, and lists both the nature and sources of financing, and the anticipated revenue streams of the business, the lean canvas begins with the problem, the proposed solution, the channels for achieving the solution, the costs involved, and the anticipated revenue streams.

By adding the element of market competition, research within a strategy context focuses primarily on explaining firms’ value creation, performance, and competitive advantage (Zott et al. 2011, Boons & Ludeke-Freund 2013). By
integrating strategic management and entrepreneurship theories, Amit and Zott (2001) view business models as a source of value creation and propose novelty, lock-in, complementarities, and efficiency as mutually reinforcing value drivers in business models. The above suggests that in creating value, a business model can be a source of competitive advantage as, for instance, business model novelty can result in superior value creation (Casadesus-Masanell & Ricart 2010, Morris et al. 2005). Amit and Zott (2001) further emphasize that the “locus of value creation, and hence the appropriate unit of analysis, spans firm and industry boundaries and can be captured by the business model” (Amit & Zott 2001: 503).

Within the strategy context, the business model construct is also important for explaining firm performance (Afuah & Tucci 2001). For instance, Afuah (2004) conceptualizes the business model as a set of components predetermining firm profitability. Viewing a business model as a set of boundary-spanning transactions, it is suggested that novel business model design (Zott & Amit 2007), as well as effective implementation (Brea-Solís et al. 2015), positively influences firm performance.

Another stream of business model research in the strategy context refers to the distinction between the business model and other strategy concepts (Zott et al. 2011) that was discussed in detail previously.

The extant literature provides different ways of thinking about business models; however, from the above discussion we see that it converges on several important points. First, by building upon the critical role of business models in linking
technology to the market outcomes, business models are implicitly or explicitly considered as a new boundary-spanning unit of analysis (Amit & Zott 2001, Zott et al. 2011). Second, using the business model as a unit of analysis, with its traditional emphasis on value capture, fosters the integration of value capture and value creation discussions in the business model literature (Demil et al. 2015). Third, lying at the intersection of entrepreneurship and strategy, the business model concept is argued to be able to bridge the gap between abstract strategic theorization and the practical level of actions (Richardson 2008, Alt & Zimmerman 2001). Fourth, by focusing on how firms do business, the business model concept fosters a holistic understanding of opportunity exploration, exploitation, and competitive advantage (Ahokangas & Myllykoski 2014, Zott & Amit 2010, Teece 2010, McGrath 2010, Demil et al. 2015).

In general, business model research focuses on exploring how firms do business at the system level (Demil et al. 2015, Zott et al. 2011). Indeed, the concept of a business model has been approached as a system (Teece 2010, Zott & Amit 2010) and the term *system* is widely used in the business model literature (cf. Morris et al. 2005, Casadesus-Masanell & Ricart 2010, Demil & Lecocq 2010, Zott et al. 2011). Systems thinking implies thinking about the concept of a business model systematically and systemically (i.e., in a linear, step-by-step manner and within the context of a larger whole respectively) (Ison 2008). Though systems thinking shows promise for the business model research (Halecker & Hartmann 2013), approaching a business model as a system suggests that business models are largely treated as something given in either cognitive form, as an abstract description of business activities, or as the representation of a specific business activity in reality (Osterwalder et al. 2005). In other words, systems thinking does not look into the business model antecedents or the business model in the process of becoming, it perceives the business model as already existing. Though some researchers emphasize that business models are created in the process of trial-and-error learning (McGrath 2010, Sosna et al. 2010), we know little about the way business models are created and evolve at multiple levels and perhaps in multiple forms (Demil et al. 2015). As stated by Zott et al. (2011), we need more clarity about the antecedents of a business model.

Additionally, most of the previous research focused either on the network or firm level, paying much less attention to the level of individual entrepreneurs and their actions. Yet comprehensive understanding of the business model concept is impossible without considering entrepreneurial actions as business models (similar to opportunities) lack agency.
From the above discussion it follows that neither the opportunity literature nor the business model literature clearly explain how business models are created. Yet, by distinguishing opportunity exploitation as a primary function of a business model (Zott & Amit 2010), the business model literature admits the link between the two concepts. In turn, by focusing on the action logics that entrepreneurs resort to in the venture creation process, the opportunity literature implicitly refers to the business model concept. Yet it is not known how the concepts of an opportunity and business model are connected (what the conceptual link is between the two).
3 The action perspective

Following on from the preceding theoretical discussion, entrepreneurship is essentially about the process of creation (Gartner et al. 2017); however, in the extant research on opportunities and business models these two phenomena are largely treated as something given (i.e., there is little research into the process of opportunity creation and business model creation). In turn, the process of creation is inseparably linked with entrepreneurial actions. The concepts of opportunity and a business model have been approached using multiple theoretical lenses (Foss & Saebi 2017), such as, the actor-network approach (Kenworthy & Chiasson 2017), the dynamic capabilities approach (Teece et al. 1997, Teece 2014, Teece 2016, Teece 2017), entrepreneurship theory (Foss et al. 2016, George & Bock 2011), transaction cost economics (Zott & Amit 2010), the resource-based view (Mangematin et al. 2014), the learning approach (Sosna et al. 2010), managerial cognition (e.g., Tikkanen et al. 2005), innovation (e.g., Chesbrough & Rosenbloom 2002), etc. However, paradoxically, the action perspective is absent in either mainstream opportunity or business model literature. Starting from Cantillon (circa 1770), an entrepreneur has been a focal research point, yet traits-and-rates approaches have dominated the research (Kenworthy & Chiasson 2017), leading Shane (2003: 2) to claim that “the division of the field into these different camps has stymied the development of the field of entrepreneurship. By focusing only on one aspect of entrepreneurial process, most researchers fail to provide a comprehensive explanation of the phenomenon.” This situation is rather absurd for a field defined by action. Action is a critical pathway for opportunity and business model creation as neither of them possess agency (Shane 2003). In other words, neither of them can exist without entrepreneurial actions. Both opportunities and business models are reflected in the entrepreneurial actions (Klein 2008, Mason & Spring 2011), implying that we can understand both an opportunity and a business model in terms of action. Therefore, we argue that in order to understand the conceptual link between an opportunity and a business model, and get an insight into business model creation process, we need to relate them to action. The purpose of this chapter is to approach the concepts of opportunity and a business model from the action perspective, thereby establishing a second pillar for defining the theoretical approach of the empirical study of the business model creation process. The chapter concludes by illustrating the theoretical approach of this study that combines the theoretical link between the opportunity and business model concepts, as well as the action perspective on these phenomena. It is noteworthy that this
The above discussion has revealed that different approaches towards opportunity recognition imply a different logic for the interplay between opportunity exploration and opportunity exploitation. The discovery approach understands the entrepreneurial process as triggered by opportunity exploration and the opportunity predetermines the decision-making logic and the choice of the appropriate means by which to exploit the opportunity. The entrepreneurship theory of bricolage deepens the understanding of the means–ends creation process. As in the discovery view, an opportunity is assumed to be an objective phenomenon that triggers the entrepreneurial process. However, taking into consideration the uncertainty associated with the means’ availability, the entrepreneurial process is guided not by the opportunity but by the resources at hand that predetermine opportunity exploitation. The effectuation theory assumes that opportunities are subjective phenomena and that they emerge in the course of the entrepreneurial process. From the effectuation theory perspective, the entrepreneurial process is triggered and predetermined by the available means, whereas the ends are shaped in the course of opportunity exploration. The creation view postulates that opportunities are created in the process of social interaction, relying on heuristic learning. In this case, the entrepreneurial process is triggered by the process of the exploration of new ways to create value. Essentially these theories try to explain the actions that entrepreneurs take when exploring and exploiting opportunity.

Since March’s (1991) seminal article, the concepts of exploration and exploitation have been widely used in organization studies (Gupta 2006). There are two major approaches towards understanding the exploration and exploitation concepts, distinguished either by differences in the type of learning or the presence versus absence of learning.

The first approach postulates that both exploration and exploitation imply a certain type of learning (March 1991, Baum et al. 2000, Benner & Tushman 2002). As March suggested (1991: 85), “The essence of exploitation is the refinement and extension of existing competences, technologies, and paradigms [...] The essence of exploration is experimentation with new alternatives”. Building on March’s
Baum et al. (2000: 768) contend that exploration and exploitation are associated with different types of learning: “Exploitation refers to learning gained via local search, experiential refinement, and selection and reuse of existing routines. Exploration refers to learning gained through processes of concerted learning, planned experimentation and play.” In contrast, other scholars only associate exploration with a learning trajectory, whereas exploitation is concerned with the reuse of past knowledge (Rosenkopf & Nerkar 2001, Vermeulen & Barkema 2001). Vermulen and Barkema (2001: 459), for instance, conceptualize exploration as the “search for new knowledge,” whereas exploitation is defined as the “ongoing use of a firm’s knowledge base.” However, utilization of the existing knowledge frequently happens in contexts other than the one in which it was created. Its application in a novel context implies a learning process, albeit incremental. Even if one supposes that the context is similar, perfect replication is impossible, meaning that a certain amount of learning is deemed to occur (Gupta 2006). Building on the above considerations and on March’s (1991) seminal work, in this research exploitation and exploration are understood as processes involving a certain type of learning, be it incremental or substantial.

As was mentioned before, opportunities lack agency (Shane 2003), therefore they need to be acted upon in order to be explored and exploited. In other words, without an acting entrepreneur an opportunity remains a potential opportunity. However, as Charles Bukowski shrewdly put it: “Potential doesn’t mean a thing. You’ve got to do it.” (Bukowski 1978). In the discovery view of opportunities exploration refers to the creation of new means–ends relationships. Only after that is exploitation possible. The same logic applies to the bricolage theory, though with more emphasis on the creation (i.e., exploration) process. While in the above examples exploration precedes exploitation, in the case of effectuation an entrepreneur iteratively exploits the available means in order to explore an opportunity. In the creation view, which assumes contingency of the means and ends, the processes of exploitation and exploration are intertwined: The past assumptions of an entrepreneur are refined in the process of the opportunity exploration. The important conclusion from the above is that irrespective of the approach towards opportunity recognition, its enactment involves exploration and exploitation actions. In turn, the exploitation of an opportunity occurs by the means of a business model that allows an entrepreneur to create, and most importantly capture, value (Zott & Amit 2010). The end result—a recognized opportunity without linkages to the exploration and exploitation processes—can be described in many terms: discovery, creation, bricolage, effectuation. These are the
entrepreneurial actions that bestow the theories of opportunity sources with empirical content.

From the above discussion it follows that opportunity is linked to a business model via the exploration and exploitation processes. Thus, business model creation can be understood as the exploration and exploitation of an opportunity, i.e. in terms of actions related to visioning, strategizing, performing and assessing (Ahokangas & Myllykoski 2014). Notably, the opportunity source is not of importance—at the end of the day entrepreneurial actions shape the nature of an opportunity.

3.2 The action perspective on business models

As was discussed before, detached from specific entrepreneurial actions an opportunity can be interpreted in terms of creation or discovery, or as a combination of those (Alvarez & Barney 2007). In other words, without a context opportunities remain just theoretical abstractions without any empirical implications. Therefore, the business model only becomes fully comprehensible by attaching it conceptually to action in its business context (Ahokangas & Myllykoski 2014, Ahokangas et al. 2017). Thus, approaching the business model as action implies understanding business model creation by connecting it to the visioning-, strategizing-, performing-, and assessing-related actions that elucidate opportunity exploration and exploitation processes (Ahokangas & Myllykoski 2014) (see Fig. 3).

Visioning essentially means imaging preferable futures and relates to opportunity exploration. Being dynamic, emergent, and forward-looking, business models are naturally connected to the future, representing an important way for exploring and exploiting future opportunities (Chesbrough 2010, Teece 2010). As a tool, a business model can be seen as a “playground” for generating alternative futures, mapping the context, and creating options for doing business.

Strategizing implies modeling the ways to achieve the vision (Meyer 2003, McGrath 2010)—planning the actions to connect the abstract-level visioning with practice (in other words, planning to exploit an opportunity). While visioning can deal with a variety of alternative opportunities, strategizing requires focusing on a specific opportunity that is shaped into a business model. An opportunity choice is highly dependent on the surrounding context, as well as on entrepreneurial experience (McGrath & MacMillan 2000, Shane 2000, Ucbasaran et al. 2009).

At the performing stage, the choices are implemented and tested against reality. During the assessing process, the feedback received from the actions is analyzed
and reflected upon, which has the potential to influence all the other actions related to business model creation. Taken together, the performing and assessing phases illuminate the process of experiential learning that occurs during the business model creation process. Both performing and assessing are naturally associated with opportunity exploitation (Ahokangas & Myllykoski 2014).

Fig. 3. The theoretical approach.

Even though in Figure 3 the processes are depicted consequentially, in reality an entrepreneur may switch between them if necessary, blurring the boundaries between the processes as, for instance, meaningful assessment requires reflection against a future vision (Ahokangas & Myllykoski 2014).

In sum, the concepts of opportunity and a business model can be related through the processes of exploration and exploitation. In turn, from the action perspective the processes of opportunity exploration and exploitation are realized
through visioning, strategizing, assessing, and performing. Therefore, from the action perspective, business model creation can be understood by examining the intertwined nature of visioning, strategizing, assessing, and performing. It is of importance that the above is the theoretical approach that explains and justifies how the concepts of opportunity, a business model, and action can be tied together, thereby providing a frame of reference for the following empirical study. It does not aim to form a theoretical understanding of business model creation.

3.3 Opportunity, business model and action: A contextual perspective

Hill (2008) observes that prior entrepreneurial research has been put at a disadvantage by ignoring the context of the entrepreneurial actions. Yet contexts matter as they influence not only the available opportunities but also the dynamics that unfolds (Sørensen 2007, Zahra & Wright 2011). Factoring the aspects of context into the entrepreneurship studies, and more specifically into business model research is a prerequisite for their further advancing (Zahra 2008, Zahra & Wright 2011, Zahra et al. 2014, Ahokangas & Myllykoski 2014). Accordingly, recent research increasingly emphasizes the importance of context and various contextual variables in understanding entrepreneurial actions and their outcomes. For instance, Bjørnskov and Foss (2013) highlight the moderating effect of institutional context in explaining how entrepreneurship drives total factor productivity. Likewise, Cabral et al. (2013) examine the interplay between private and public contexts, more specifically between private entrepreneurs and public agents in order to elucidate how it affects the performance of complex public services. Within the domain of business model research, business models have been largely addressed within the technological context that can be largely explained by the fact that the concept emerged with the development of the Internet (Timmers 1998, Wirtz et al. 2010, Iivari et al. 2016, Gierej 2017).

In this study context is understood as “those variables which shape the characteristics of a setting, as well as the motivations and behaviors of different actors in that setting” (Zahra 2008: 243). Within an organization, these variables may include, among others, the assumptions, aspirations and goals of an

---

3 As firm creation is only one of the outcomes generated by entrepreneurship (Schumpeter 1942), the concept of context is understood in a broader sense including but not limited to the context of new venture creation.
entrepreneur (Alvarez and Barney, 2007), as well as organizational structures (Kim 1998). Externally, these variables might include political, social, economic and technological factors (Fleming & Sorenson 2004, Kim 1998, Malerba 2006). In turn, Zahra (2014) differentiates between temporal, industry, spatial, social and organizational, ownership and governance dimensions of context.

As previously discussed, the entrepreneurship scholars widely debate the question of opportunity sources. Yet the problem of contextual influences and their importance remains largely unaddressed despite the fact that entrepreneurial efforts are moderated by contexts (Zahra & Wright 2011, Garud et al. 2014). According to Garud et al. (2014), opportunity discovery perspective implies that the availability of opportunities is moderated by contexts; opportunity creation perspective suggests that the viability of creations is moderated by contexts. In the discovery–creation approach contexts are both the medium and outcome of action. Zahra (2008: 244, 247) emphasizes that “providing a richer depiction of how certain contexts might promote the discovery versus the creation of opportunities is advantageous for learning how to develop a setting where discovery and creation can flourish”, thereby serving the interests of novice entrepreneurs or those ones who explore new industries.

Likewise, the importance of context is also recognized within the business model research field. For instance, Teece (2010) emphasizes the need to adjust a business model to the business context and its changes. Yet the relationship between contextual variables and the business model remains largely an unexplored issue (Ahokangas & Myllykoski 2014, Iivari et al. 2016). Ahokangas and Myllykoski (2014: 7) find that there are only a few studies that have explored business model development in its business context (Markides 2006, Teece 2010) and in most of the cases “the concept of context has been reduced to customers, channels, partners, and suppliers, focusing on value creation and capture” (Osterwalder & Pigneur 2010, Zott & Amit 2010). The authors call for and develop a research approach that allows considering contextual influences in a broader sense within the dynamics of business model development.

Ontological assumptions have implications for the entrepreneurial actions in different contexts. For instance, in case of the discovery perspective, an entrepreneur would start creating a business model with developing a business plan; whereas, the creation perspective posits that a business plan can be written only after an opportunity has been created (Alvarez & Barney 2007). Constitutive approaches assume that contexts are both the medium and outcome of action (Garud et al. 2014).
From the above follows that extant research on opportunities and business models has largely overlooked the implications of context which contradicts the widespread conceptual appreciation of the importance of studying the context of entrepreneurial activities (Zahra & Wright 2011, Zahra 2014, Shane & Venkataraman 2001). Engaging more fully with the context gives meaning to the findings and positively affects the research quality. Additionally, according to Meyer (2009), examining the entrepreneurial actions contributes to fostering the “engaged scholarship”.
4 Research design

If you try and take a cat apart to see how it works, the first thing you have on your hands is a non-working cat.

Douglas Adams, The Salmon of Doubt:

Hitchhiking the Galaxy One Last Time

Van Wagenen (1990) claims that writing a research design section is the easiest part provided that the study has been well planned. However, qualitative researchers, especially the novice ones, may argue just the opposite. First, there are usually no clear and structured guidelines for writing a “good” methodology chapter for a doctoral dissertation. Second, many of the available guidelines are written by researchers trained within a positivistic paradigm who may be not familiar with the specific challenges of qualitative research. Third, each qualitative research process is unique, making it difficult to devise clear rules for conducting qualitative analysis (Tesch 1990, Patton 2002, Zalan & Lewis 2004). Diverse, fluid, and subtle, qualitative research has been criticized for its lack of objectivity, replicability, validity, and generalizability—criteria considered to be present in quantitative research. Therefore, only a detailed and transparent account of the employed methods and research procedures allows establishing the research credibility and convincing the reader of the study that it is a scientific exercise after all (Zalan & Lewis 2004).

The theoretical choices presented in the preceding chapters reveal a specific philosophical position (i.e., the researcher’s ontological and epistemological orientation) and guide the research process towards a certain methodological frame (Guba & Lincoln 1994, Burrell & Morgan 1979). This chapter is divided into six sections. Subchapters 4.1 and 4.2 present and justify the research design. Subchapters 4.3 and 4.4 outline the method and process of data collection utilized in this research. Subchapter 4.5 explains how the data were analyzed. And finally, this chapter concludes by evaluating this study using the action research criteria.

4.1 The research philosophy

This research starts by asking how entrepreneurs create business models to capture opportunities. The literature review has revealed a paradoxical situation: Even though the concepts of a business model and opportunity form a coherent whole,
they tend to be studied separately, which inevitably leads to a limited understanding of not only the phenomena themselves but also the mechanisms associated with them. A business opportunity without a business model remains confined to the realm of potentiality (Eckhardt & Shane 2013), and it is impossible to imagine a business model without an opportunity as the primary function of a business model is to exploit an opportunity (Zott & Amit 2010). However, neither a business model nor opportunity possesses agency (Shane 2003), implying that without entrepreneurial actions they cannot be actualized. Therefore, entrepreneurial actions are the key to understanding the process of business model creation, as well as the philosophical orientation of this study.

In turn, exploring business model creation requires inquiring into external context, the learning process, and the time dimension while one acts (Torbert & Taylor 2008). The territories-of-experience approach (Torbert 1991, Meyer 2003) discussed in the preceding chapters allows not only the organization of such a balancing act but it also allows systematically addressing the business model creation process in a novel way. In the business opportunity context the four territories of experience correspond to visioning, strategizing, performing, and assessing (Meyer 2003). Thus, in order to understand the process of business model creation it is necessary to search “for patterns in incongruities in strategy and performance in the present, as well as among possible visions, strategies, and specific goals for the future” (Torbert & Taylor 2008: 240), which inescapably leads the inquiry towards the realm of action research (Chandler & Torbert 2003).

Action research allows trying out complex and inter-linked conceptual frameworks that cannot be pulled apart for the evaluation of individual concepts (Eden & Huxham 2006). This characteristic of action research is of particular importance for both this research and exploration of the business model creation process. In the preceding chapter a theoretical approach towards the research problem was developed. It revealed the interconnectedness of the concepts and processes pertaining to the business model creation process, emphasizing the importance of approaching them as a coherent whole rather than as separate entities. In other words, studying these concepts and processes separately would only produce a partial representation of the creation process.

Besides, it is the only approach that accounts for the past, present, and future and allows understanding change as it occurs and the future as it emerges, as well as understanding the pertaining mechanisms in the situations that do not permit close and controlled observation (Ballantyne 2004, Gummesson 2000, Daniel & Wilson 2003, Chandler & Torbert 2003). It makes it possible to get closer to the
dynamic and turbulent business environment and to develop a deep understanding of the complexities within decision-making (Ahokangas et al. 2014, Carson et al. 2001). In other words, action research provides rich data about what people do and say when confronted with the need to act (Eden & Huxham 2006). As discussed earlier, business model creation is about entrepreneurial actions. Therefore, this study follows the logic of action research as it is among the few research methodologies that give a unique opportunity to trace the process as it unfolds.

Additionally, action research accounts for the entire system in its natural environment rather than for a single variable within a complex system (Dickens & Watkins 1999). In other words, context plays an important role in the action research work, where a particular situation and environmental conditions lead the direction of the inquiry and appropriate action (Susman & Evered 1978). Being context bound, action research has been criticized for producing non-generalizable results (Winter & Munn-Giddings 2001). Yet, being future-oriented in nature (Susman & Evered 1978), action research does not strive for applicability across different contexts but for achieving generality that is related to the expected implications for future situations (Eden & Huxham 2006). Extant research on business models has paid little attention to the question of business context and its impact on business model development. By adopting action research methodology, this study is able to account for the external, as well as internal, business context that is of critical importance for understanding the dynamics of the business model creation process (Ahokangas & Myllykoski 2014).

Similarly to hermeneutics, action research can be understood both as a working philosophy and as a set of standard practices that can to some extent justify the existence of a myriad of terms and approaches used in connection with action research (Eden & Huxham 2006, Pedler & Burgoyne 2008). This variety, though opening up a wide range of choices for the conduct of inquiry, makes defining action research a delicate and complex issue (Lambert 2005). Reason and Bradbury (2008) admit that there is no one established view or one clear way of doing action research, attributing this to the diverse philosophical perspectives it draws upon. In the similar way, Eden and Huxham (2006: 388) emphasize that a precise interpretation of action research “largely depends on the user or author and the audience they are playing to.” Yet it opens up the possibility to devise the most

---

suitable methodological approach given a specific study purpose (Gilmore & Carson 1996).

Action research is clearly fragmented in its forms and applications. Various philosophical commitments and assumptions led to the formation of distinctive action research types (Cassell & Johnson 2006). As Reason and Bradbury (2001: xxiv) noted, “the action research ‘family’ includes a wide range of methodologies, grounded in different traditions, that express competing philosophical assumptions.” A number of writers have sought to characterize aspects of the action research palette. For instance, Raelin (1999) differentiates between six action research strategies practiced by organization and management development practitioners: action research, participatory research, action learning, action science, developmental action inquiry, and cooperative inquiry. According to Raelin (1999), action research denotes a process wherein researchers act as both research subjects and objects with the purpose of fostering social change. Associated with knowledge and power, participatory research seeks collaboration between privileged groups that control knowledge production and disadvantaged groups that, by questioning dominating societal values, can stimulate social change. Action learning is based on the principle of learning from others in the workplace and refers to a process of collaborative transformation involving participative reflection-in-action (Revans 1977, Zuber-Skerritt 2002, Eden & Huxham 2006). Of note is the notion of action inquiry (Torbert 1991), described as “consciousness in the midst of action” (Torbert 1991: 221), which is to some extent similar to action learning. In partial contrast to the above, action science describes a process in which “clients are participants in a process of public reflection that attempts both to comprehend the concrete details of particular cases and to discover and test propositions of a general theory” (Argyris et al. 1985: 4). A key concern is to challenge organizational routines and encourage double-loop learning by exploring the hidden beliefs that drive action (Argyris 1995, Raelin 1999, Eden & Huxham 2006). Developmental action inquiry strives for improving the timelines and transformational effectiveness of action by orchestrating first-person subjective, second-person intersubjective, and third-person objective inquiries (Torbert 1999, Raelin 1999). In cooperative inquiry participants engage in the dialogue by acting as co-researchers and co-subjects with the purpose of co-creating practical knowledge (Raelin 1999).

Aiming at providing a richer understanding of the general action research strategies, Chandler and Torbert (2003) developed a conceptual matrix of 27 different “flavours” of action research based on voice, practice, and time. The dimension of voice refers to the manner in which research is conducted and
reported—in one’s subjective voice, in multiple intersubjective voices, or in an anonymous and objective voice. Similarly, the practice dimension describes the nature of the inquiry in terms of first-person self-inquiry, the face-to-face (second-person) exploration of issues of mutual concern, or impersonal third-person research/practice involving a wider community of inquiry. The dimension of time highlights the importance of the temporal aspect of the inquiry process. Timely action is an ultimate goal and achievement of action research that is impossible without considering the past-oriented norms, paying attention to the present, and accounting for both personal intentions for the future and collective visions of the future (Chandler & Torbert 2003). While conventional research is mostly confined to what happened in the past, action research inquiries into the past, present, and future, thereby enabling timely action. This 27-flavor paradigm concerns all four territories of experience that are in a productive and mutually emancipatory dialogue while one acts, resulting in single-, double-, and triple-loop feedback and learning (Chandler & Torbert 2003, Torbert & Taylor 2008). By incorporating the single-, double-, and triple-learning dimensions, Torbert and Taylor (2008) extend the above matrix to 81 possible kinds of action research. Others have also produced less elaborate distinctions between different approaches. Heller (2004: 349), for instance, only distinguishes between “two fairly distinct and legitimate approaches”—action research and research action—depending on whether social change or knowledge acquisition is of primary concern.

Cassell and Johnson (2006) analyze the palette of action research in terms of the underlying philosophical assumptions. The authors label the categories of action research praxis as experimental, inductive, participatory action research, participatory and deconstructive approaches, and they emphasize the considerable diversity in action research approaches and practices. Experimental action research practices are rooted in Lewin’s experimental approach and therefore retain objectivist epistemology, realist ontology, and articulate methodological monism. The inductive approach, also referred to as qualitative positivism, tries to overcome the problem of implementing true experimental designs in organizational environments by combining qualitative methods of data collection and the inductive logic of theory development (Detardo-Bora 2004, Prasad & Prasad 2002). The major difference between participatory action research and participatory research practices boils down to the philosophical assumptions associated with the research context. The former is associated with corporate or organizational settings and shares the positivistic assumption about the hierarchical ordering of organizational knowledge. The latter is more associated with the community
context and with emphasis on the democratic research process. The deconstructive approach builds upon a post-modern stance that is about questioning taken-for-granted narratives and promoting alternative narratives without promoting any preferences.

However, the authors accentuate that this diversity, developed under the umbrella term *action research*, does not imply that “anything goes,” but rather that different forms of action research are justified by different philosophical assumptions. In a similar vein, Klein and Myers (1999) observe that the underlying epistemological assumptions of action research can be positivist, interpretivist, or critical in nature. This also implies that there can never be one “right way” of doing action research (Reason & Bradbury 2008).

The above illustrates that action research has been informed by multiple philosophical traditions. However, there are three broad elements that are characteristic of the whole palette of action research: action, research, and participation (Greenwood & Levin 1998). And the essential differences between various forms of action research can be explained by the shift in emphasis, it being on action, research, or participation. This research balances action, research, and participation in a specific way, thereby creating a unique approach suitable for the study purpose.

The *action* element refers to the purpose of action research: to bring about change and contribute to the reformation of negative situations, either in an organization or community context (Lambert 2005, Reason & Bradbury 2008). Of note is that action, as well as change, can be of a different nature. In some cases action research leads towards dramatic changes in the organizational practices or community life (cf. Senge & Scharmer 2008, Kelly et al. 2001, Pyrch & Castillo 2001), in others cases action research produces empowerment and brings about inspiration for change (Winter & Munn-Giddings 2001). The *action* element of action research is rooted in the Aristotelian concept of praxis and critical realism. The concept of praxis refers to “the art of acting upon the conditions one faces in order to change them” (Susman & Evered 1978: 594). Similarly, critical realism asserts that the purpose of social inquiry is not only to explain the world but also to change it (Alvesson 2009, Winter & Munn-Giddings 2001). This research does not aspire to induce dramatic changes in either the organizational practices or in community life, but it aspires to understand the logic and dynamics of the business model creation process, which may inspire entrepreneurs and managers to approach the creation process in a novel way.
The *research* element refers to the systemic and systematic development of practical knowing and knowledge that “proceeds in a spiral of steps, each of which is composed of a circle of planning, action and fact finding about the result of action” (Lewin 1946: 206). The emphasis on practical knowing in action research utilizes the pragmatist position, suggesting that knowledge is gained by responding to a real need in an organization and community life (Wicks et al. 2008, Reason & Bradbury 2008). From the pragmatist perspective, research that does not bring about any practical difference has no meaning. As was discussed before, only a few of the newly established ventures survive and a suboptimal business model may be one of the reasons for company failure. This study aims to understand how entrepreneurs create business models to capture opportunities, thereby shedding light on the intricacies of the business development process. Thus, from a practical perspective, this study allows analyzing business model creation, revealing faulty choices and sketching out areas for improvement and innovation.

The hermeneutical circle is the major contribution of hermeneutics to action research. According to the logic of the hermeneutical circle, knowledge is gained by moving back and forth between the parts and the whole of the system, implying that knowledge must be found within its context, be it cultural, historical, or literary. Incongruences between the parts and the whole induce a reconceptualization that occurs until there a match between the parts and the whole is established. This process is the basis of Lewin’s action–reflection research model, which serves as the basis for most forms of action research (Susman & Evered 1978). Utilizing the logic of the hermeneutical cycle, action researchers can draw upon various models to guide their research depending on what they choose to emphasize in the action research cycle, be it analysis, planning, feedback, learning, or theory building (Dickens & Watkins 1999, Cunningham 1993). Focusing on the latter, this research follows the cyclical process of research-oriented action research that will be described in detail in the next chapter (Eden & Huxham 2006). This research strategy both fosters effective scholarly actions by means of continuous reflection and supports theory development.

Participation is a multi-faceted concept. Competing philosophical traditions attribute different meanings to the term *participation*, giving rise to not only the alternative forms of action research but also establishing different forms of relationships between researchers and participants (Cassell & Johnson 2006). Generally, the *participation* element is interpreted from the humanist perspective that emphasizes the value of individual and collective agency of human beings, and calls for democratic research that is done with people rather than on people (Heron
Similarly to the change element, the degree of participation and involvement can vary depending on whether first-, second-, or third-person research practice is adopted. In the current study the degree of participation is rather low—a researcher cannot possibly participate in the creation of a new start-up. In this research, however, participation is ensured through the employed methods. The question of participation will be addressed in more detail later, in connection with the discussion of the research method.

4.2 The research strategy

From the above discussion it follows that, given the diversity in the action research approaches, the strategically most important methodological question is what combination of first-, second-, and third-person research/practices will see them most effectively reinforce one another in the specific inquiry project (Chandler & Torbert 2003). According to Reason and Bradbury (2008: 6), “the most compelling and enduring kind of action research will engage all three strategies.” Moreover, the authors claim that third-person research that is not based in rigorous first-person inquiry into one’s research process is subject to distortions due to unregulated bias.

As with any design process, business model creation is emergent, continuous, and iterative, implying that second-person research/practice would only account for the specific instances of the process7. However, zooming out and distancing oneself from the creation process allows one to capture the entire course of events. Therefore, in order to understand business model creation, this study employs a combination of first-person and third-person research/practice.

As discussed previously, the nature of the research problem guides the action research cycle, giving primacy to certain phases (Dickens & Watkins 1999, Cunningham 1993). Focusing on the theory development, this research follows the cyclical process of research-oriented action research (Eden & Huxham 2006). This approach allows scholars to reflect on their own actions with the intent of making

---

7 Additionally, engagement in the second-person research/practice would require limiting the sample size: Though a structured interview method allows reaching a large amount of people at the same time, it would be challenging in terms of time and organization to conduct interviews with all case start-ups. Furthermore, as face-to-face interviews are time-consuming, both for an interviewer and interviewee, it may cause problems in recruiting participants. Besides, there is a danger that an interviewer may bias the interviewee’s responses (King 2014). Yet, not engaging in the second-person research/practice means that there is no possibility for probing for explanations of responses, capturing non-verbal cues, emotions and behaviors, or keeping the respondent focused and on the track of completion (Miles & Huberman 1994).
them more effective, while at the same time working toward theories of action. This first-person research/practice enables action researchers to generate knowledge and solutions from the inquiry process. (Dickens & Watkins 1999) (see Fig. 4).

![Fig. 4. The research-oriented action research cycle.](image)

Following the hermeneutics tradition, research-oriented action research starts by admitting that the researcher always brings some foreknowledge to the situation. However, in the case of research-oriented action research, the researcher defers any reflection on the role of foreknowledge until the theoretical conceptualizations begin to emerge in order to avoid closing off alternative ways of understanding. Emergent theory serves as a basis for pre-understanding the scientific problem of this study informing the researcher’s actions. In turn, reflection upon data that is emergent from the actions promotes further development of the theory, fostering feedback learning. It follows that research-oriented action research is concerned with incremental theory building, moving from the particular to the general in small steps. Therefore, research-oriented action research does not allow for the detailed and rigorous testing of certain theoretical constructs but rather for understanding conceptual frameworks where each element must be comprehended in the context of other related elements (Eden & Huxham 2006).

If the above-presented cycle is described from the first-person perspective, the process the scholar goes through in the course of the research process—the third-
person research/practice—refers to the business model creation process that is being explored. It involves many third persons at a distance in time and space, in a context where “analysis and new actions occur in a relatively decentralized way in real time with no single authoritative interpretation of the data crystallizing” (Chandler & Torbert 2003: 145, Torbert 1999). However, as was mentioned above, in order to understand the process of business model creation it is necessary to pay attention to not only to the real time but also to the emergent future “by allowing many possibilities to arise and actively choosing between them,” rather than passively following habitual patterns of thought and action (Chandler & Torbert 2003: 138).

While mainstream social science mostly studies first-, second-, and third-person practices that are in the past from the perspective of the third-person voice, this research attempts to pay attention to the first- and third-person practices in the present with regard to the future, employing the traditional third-person reporting approach ⁸. This combination inevitably has implications for the degree of participation: The researcher, though rather active, is not a “complete member” (i.e., is not a part of the situation that is being researched) (Adler & Adler 1987).

To summarize the above, being informed by multiple philosophical traditions, action research is very diverse in its forms and applications. However, it gives a unique possibility to tailor a strategy that not only perfectly fits the research problem but also allows approaching it in a novel and holistic way without trying to “take a cat apart.”

### 4.3 The diary method

The above raises the questions of how to capture entrepreneurial actions in the course of business model creation and how to make sense of them. Speech in written or oral forms is considered to be the primary and most influential medium of action (Torbert & Taylor 2008). However, critical realists argue that “actors’ accounts are both corrigible and limited by the existence of unacknowledged conditions, unintended consequences, tacit skills and unconscious motivations” (Archer et al. 1998: xvi). Put differently, it is impossible “to uncover real structures by interviewing people in depth about them” (Archer 1998: 199). Participant

---

⁸ First-person practice is reflected in the research-oriented action research cycle that the researcher goes through in the current study; and third-person practice refers to the business model creation process that is being explored.
observation of behavior in situ would give some idea of the process logic; however, it is technically impossible to track behavior action by action. Additionally, there is a danger of “observer effects” (when participants alter their behavior in the presence of the researchers) (Zimmerman & Wieder 1977).

The diary method is an alternative technique that can be used in situations where the problems of direct observation cannot be resolved (Zimmerman & Wieder 1977). It is considered suitable for the purposes of this research due to several reasons. First, according to Zimmerman and Wieder (1977), this field procedure approximates the classic pattern of observational research. Second, being an instrument of thought representation, as well as of thought development, the diary method allows explicating the process of double- and triple-loop feedback learning, thereby providing a strong basis for analysis and understanding of the business model creation process (Sá 2002). Third, being an object of analysis and reflection, it allows recognizing patterns and regularities, which is absolutely critical for the purposes of this research (Bolger et al. 2003). Fourth, in line with the action research philosophy, using a diary as a method recognizes the importance of the context in which a process unfolds (Reis 1994, Bolger et al. 2003). Fifth, as was discussed above, an understanding of the business model creation process requires tracking entrepreneurial actions in real time. One of the fundamental benefits of the diary method is the substantial decrease in the likelihood of retrospection, achieved by reducing the amount of time that elapses between an action and the account of this action (Bolger et al. 2003).

Following Zimmerman and Wieder (1977), in the context of this research a diary is understood not as an “intimate journal” but as an annotated chronological record or log that allows capturing actions in a way that is not possible using traditional designs (Bolger et al. 2003). As Wheeler and Reis (1991: 340) put it, diaries are able to capture “little experiences of everyday life that fill most of our working time and occupy the vast majority of our conscious attention.”

The diary method used in this study allows the researcher to participate in the business model creation process indirectly. By posing a certain set of questions for the entrepreneurs concerning business development, the researcher triggers a reflective process that makes entrepreneurs analyze and assess their actions. In turn, it has potential to impact the future course of actions.
4.4 Data collection

This study explores how entrepreneurs create business models to capture opportunities. It implies capturing the entrepreneurial actions by which the underlying opportunity and the business model are interconnected. Therefore, the data needs to provide rich descriptions of the entrepreneurial actions. Torbert and Taylor (2008) argue that speech in both forms—written and oral—is an effective means for conveying action. Thus, the process of data collection began by developing a so-called “business model diary” (see Appendix 1). Diary studies have the advantage that most people are familiar with the concept and know what “keeping a diary” means. However, research diaries differ dramatically from personal ones (Symon 2004).

The business model diary contained a set of six questions—one question asked respondents to provide general background information (the start-up’s name and project stage) and five questions related to business model development. Requiring the respondents to note their start-up’s name meant that the entries could be sorted later on, and indication of the project stage allowed determining how long the project had been worked on. The questions with regard to the business model creation process were formulated to cover the key elements of the business model concept. These elements include the offering, value proposition, customer segments, differentiation, key operations, the basis for advantage, the mode of delivery, selling, marketing, the basis for pricing, the way of charging, cost elements and cost drivers, and the location of the activities (internal or external). The location element concerns all the preceding items. Based on these elements the respondents were asked what they are offering to their customers, how and where they are planning to do that in practice, and why they think they can do it profitably. Thus, in the diary there were particular issues to be covered. However, the respondents could also note any information they felt relevant.

Usually diary studies are carried out in a paper-and-pen format. Yet, it has several drawbacks, the high risk of loss featuring among other drawbacks. Additionally, a physical diary is not necessarily always readily available. Digital diaries are easily searchable and readable. Furthermore, a digital format allows using specialized software for data analysis purposes. Therefore, the business model diary was converted into a digital form using a Webropol service. Later, a link to the diary was distributed among the participants.

The data collection consisted of two phases. The first stage ran from September 2015 to January 2016 and included three groups of respondents: the participants of
a start-up accelerator program in Oulu, Finland; the participants of a project carried out at the University of Oulu, Finland; and the participants of a venture creation training organized by the Business Model Design Center, Ålborg, Denmark. The start-up accelerator program is an intensive program that aims at guiding new entrepreneurial teams in developing their ideas into a product and commercializing it by means of practical coaching. The main aim of the project carried out at the University of Oulu is to assist researchers in commercializing ideas based on research. The basic idea behind the venture creation training is similar to the start-up accelerator program. To ensure data richness, the second stage ran from September 2016 to January 2017 and involved participants of the same venture creation training with a new batch and two novice entrepreneurial teams based in Helsinki. Both teams were in the second year of their entrepreneurship journey. The duration of the accelerator program and venture creation training preconditioned the duration of the data collection process (see Appendix 4).

Ontologically the sampling strategies are divided into two general categories: probability sampling and nonprobability sampling (Uprichard 2013). Probability sampling is frequently associated with quantitative research, whereas nonprobability sampling – with qualitative research. The aim of quantitative sampling approaches is to draw a representative sample from the population, thereby ensuring the generalizability of the study results back to the population. Thus, given the nature of qualitative research, probability sampling is rarely appropriate for qualitative studies (Marshall 1996). In the case of qualitative sampling, the aim is not to draw a representative sample but rather to draw an illustrative sample that accounts for the individual and contextual peculiarities, thereby enabling the transferability of the research results.

Contrary to quantitative sampling, qualitative sampling strategies are not rigidly prescribed, allowing for a variety of nonprobability sampling techniques to emerge. For instance, Marshall (1996) differentiates between convenience sampling, judgment (or purposeful) sampling, and theoretical sampling. Tashakkori and Teddlie (2003) distinguish between convenience sampling, extreme (or deviant) case sampling, confirming/disconfirming case sampling, typical case sampling, homogeneous case sampling, stratified purposive sampling, random purposive sampling, opportunistic sampling, and snowball sampling. Patton (1990) describes additional nonprobability sampling approaches such as intensity sampling, maximum variation sampling, critical case sampling, and criterion sampling, as well as operational construct sampling and sampling politically important cases. Given the diversity of nonprobability sampling approaches, Curtis et al. (2000)
built upon the work of Miles and Huberman (1994) and proposed several general
guidelines for a qualitative sampling strategy. According to the authors, first, the
sampling strategy should stem logically from the conceptual framework, as well as
from the research question being addressed. In other words, the sampling strategy
should logically follow the ontological and epistemological assumptions of the
research. This study aims at exploring how entrepreneurs create business models
to capture opportunities. Since the focus is on the process of business model
gestation, start-up accelerators and new venture programs, as well as novice
entrepreneurs, were considered to be a relevant sampling population due to the
nature of their activities and goals.

Second, the sample should be able to generate a thorough database of the types
of phenomena under study. Aimed at facilitating new business creation, the chosen
sample supported the collection of relevant, rich, and textured data that allowed
addressing the main research question.

Third, the sample should allow the researcher to draw clear inferences from the
data and produce credible explanations. In other words, the research sample should
support and foster research quality. The use of the well-established diary method
for data collection allowed the project to carefully document the respondents’
answers. Iterative questioning allowed following the unfolding of the business
model creation process. The credibility of the explanations was achieved through
thick descriptions of the business model creation process and the surrounding
context as detailed in Chapter 5. The provision of direct quotations enables the
reader to assess how far the explanations truly embrace the actual situations.
Additionally, all choices and decisions made with regard to the research design
were carefully justified.

Fourth, the sampling strategy must be ethical. In the current study, the
respondents gave informed consent regarding their participation in the research.
They were also informed about the potential costs and benefits arising from
participation. Additionally, the anonymity and confidentiality of collected data
were ensured.

Fifth, the sampling plan should be feasible. Since, the start-up accelerators and
new venture programs (as well as the university research project) follow a
predetermined schedule, the researcher was able to access and collect data. And the
recurrent nature of the accelerator and new venture programs allowed for arranging
additional rounds of data collection. It is noteworthy that sampling procedures are
not considered to be an issue in the case of action research as the emphasis is on
what is being done and with whom (Reason & Bradbury 2008).
The diaries were filled in either by the entrepreneurial teams or single entrepreneurs (for instance, if the idea was developed by one person). Altogether 155 diaries were collected. The high number of the diaries collected can be attributed to the win–win situation created between the researcher and the participants: Filling in the diary allowed the novice entrepreneurs to discuss and reflect on the business development process, whereas the researcher collected invaluable data.

The participants were asked to complete a diary every other week. However, the participants had the opportunity to fill it in more often if they felt that a significant change in the process occurred. Alternatively, they could skip filling in the diary provided nothing worth noting had happened.

Before beginning to fill in the diary, the participants were briefed on the research purposes, diary logic, and how to work with the diary. Even though the diary and completion requirements were explained to all the respondents, the introductory part of the diary contained instructions detailing how it should be filled in. To make sure that the respondents understood the meaning of the vocabulary used in the diary, a special glossary was included in the diary.

Over the time span of the diary study, regular e-mail reminders were sent to the participants. It has been observed that if participants do not fill in the diary on one or two occasions, participants may assume that they are inappropriate for the study and give up (Stone et al. 1991). Thus, a regular follow-up not only allowed a lesser degree of participant alienation, but also gave the respondents a chance to ask any questions or share concerns. After each round of filling in the diary, the participants were sent a thank-you e-mail to acknowledge their serious commitment.

4.5  Data analysis

Qualitative research is done with words, “which are ‘fatter’ than numbers” (i.e., words can convey multiple meanings) (Miles & Huberman 1994). Therefore, the coding technique is considered to be the most appropriate for the purposes of this research as it aims at “summarizing, distilling or condensing data, not reducing it” (Saldana 2016: 5). Furthermore, Madden (2010: 10) emphasizes that coding does not diminish value but rather adds value to the research story. In this study, coding

---

9 In total 155 diaries were collected from 43 entrepreneurial teams (and entrepreneurs if an idea was developed by a single entrepreneur). All cases shared similar entrepreneurial context – development of a business idea into an operating company, i.e. building a business model around an opportunity.
serves as a critical link between data collection and explanation of meaning (Charmaz 2001).

Saldana (2016: 5–9) views coding as “a heuristic, an exploratory problem-solving technique without specific formulas or algorithms to follow.” In other words, “it is not a precise science but rather an interpretative act.”

The theoretical approach and the collected diaries offered the starting point for the data analysis. There are numerous approaches towards data coding. For instance, Saldana (2009) reviews 29 approaches for coding qualitative data. For the purposes of this research the sequence of codes–categories–concepts known as “Three Cs” was employed (Lichtman 2013: 251). This sequence succinctly explicates the logic behind the multiple coding techniques described by Saldana (2009).

Coding is a process that allows data to be “segregated, grouped, regrouped and linked in order to consolidate meaning and explanation” (Grbich 2007: 21). Categorizing involves grouping codes under a major topic. Moving from categories to key concepts or themes enables elucidating the meaning of the collected data (Lichtman 2013). According to Richards and Morse (2007: 137), recognizing key themes is a final step when moving from the data to an idea.

The first step for making sense of the data is to develop the codes. Miles et al. (2014: 71) define codes as “labels that assign symbolic meaning to the descriptive or inferential information compiled during a study.” Lichtman (2013) differentiates between two major types of codes: codes defined a priori and codes that emerge from the data. In this research the theoretical approach provides a certain perspective towards the research problem and justifies the use of an a priori coding strategy.

Four parts of speech—framing, advocating, illustrating, and inquiring (Torbert et al. 2004)—served as a basis for developing the coding scheme (see Appendix 2). Torbert and Taylor (2008) emphasize that these four parts of speech correspond with the four territories of experience. This implies that framing, advocating, illustrating, and inquiring elucidate the processes of visioning, strategizing, performing, and assessing. According to the authors, “framing refers to explicitly stating what the purpose is for the present occasion, what the dilemma is that you are trying to resolve, what assumptions you think are shared or not shared […] advocating refers to explicitly asserting an option or strategy for action in relatively abstract terms […] illustrating involves telling a bit of a concrete story that puts meat on the bones of advocacy and thereby orients and motivates others more clearly […] inquiring obviously involves questioning others in order to learn something […] the trick is to encourage the other to disconfirm our assumptions”
A cohesive integration of four parts of speech allows blending action and the experience of the internal and external environments: *framing* explains the focus of attention on the course of action, *advocating* explicates our realm of thought, *illustration* clarifies the implications for the action that has been advocated, and *inquiring* involves questioning the outside world. Based on the logic of the four parts of speech, the a priori codes were developed.

Also, using *an opportunity* as a separate code was added, as the realization of future opportunity is a driving force and the motivation behind the actions geared to business model creation.

For coding purposes NVivo (version 11) was used. It is a particular type of software package that assists researchers in making sense of qualitative data (Bernauer et al. 2013). Once coding for all diaries was done, the codes were revisited and combined into the categories using the *query* function. This tool allows identifying all the content coded at a certain node. The categorizing process allowed unpacking the categories based on the theoretical model, thereby elucidating the key themes and concepts related to the business model creation process (see Appendix 3). Thus, a priori codes allowed the key empirical themes to be teased out from the data and thereby allowed the conclusions to be drawn. For example, the process of visioning was coded as *assumption*, *dilemma*, and *purpose*. The categorization process revealed that these codes explicate eight different themes: idea/hunch/belief, resources, contingency, legitimacy, selling, delivery, willingness to pay, and location. For instance, entrepreneurial assumptions referred to the potential business idea and its viability (“We believe we have a great idea”; “We think that our business idea has potential and is doable”), resources (“It seems possible that there would be possibilities to access a sufficient amount of material at a reasonable price”), contingency (“A startup for this size market may not be realistic, unless it functions as an virtual company, ordering the required services from outside”), legitimacy (“It is likely that they will be more willing to cooperate with us as soon as our company reaches a larger size”), selling (“Furthermore we strongly believe that there is a demand among both our potential customers and our end users for our idea”), delivery (“An ideal solution might be a large partner with existing international delivery channels and customer network”), willingness to pay (“Our business opportunity hopefully creates a need for purchasing our designer lamps in order to maybe stand out or personalize their

---

10 The aim of the current example is to illustrate how empirical analysis grows out of coding and how different themes emerged.
home”), and location (“We believe that our business idea has a large potential in the Danish start-up community”). Similarly, for example, entrepreneurial dilemmas and purposes were associated with location (“It is arguable of course that the international context can either be beneficial to a start-up or it can represent a drawback”; “After getting, what would hopefully be valuable feedback, we can start to further expand to other countries and to acquire customers”). Likewise, other themes were teased out.

In the empirical analysis section, the themes are presented so as to describe the key elements of the business model and to elucidate its development process. The key business model elements are reflected in the questions that the business model as a concept helps to answer and that served as a basis for the business model diary.

Based on the data analysis, an empirical model of the business model creation process was constructed. The empirical and theoretical models were constructed, paving the way for a conceptual model explicating the research contribution (Ghauri 2004).

4.6 Evaluating action research

Action research is predominantly qualitative (Zuber-Skerritt & Fletcher 2007). Given the diversity of qualitative research, there is no consensus for assessing any part of a qualitative study (Leung 2015). Hence, there has been abundant critique with regard to the quality and legitimacy of qualitative research. The assessment problem essentially boils down to a question whether qualitative research can be regarded as valid and reliable without using the traditional approaches of validity and reliability (Flick 2007).

Flick (2007: 385) differentiates between three alternatives with regard to the assessment of qualitative research procedure and results. The first is to apply the classical criteria of validity and reliability, modified so as to suit the assessment purpose. Second is to develop new assessment criteria grounded in the specific theoretical background of qualitative research. The third is the outright rejection of the possibility of developing assessment criteria for qualitative research given the crisis of representation and legitimation discussed by Denzin and Lincoln (2000: 17). The last approach will surely not contribute to establishing the credibility of the current research. Therefore, in the following, attention is given to the first two alternatives.

Being rooted in the positivist paradigm, the classical criteria of validity and reliability are characteristic when evaluating quantitative research (e.g., Golafshani
Therefore, it has been argued that transferring them to a qualitative study is inadequate for several reasons. Put simply, reliability refers to the replicability of a study. Yet this criterion does not necessarily apply to the findings of a qualitative study. It is especially true for hermeneutic research, where the findings largely depend on the interpretations of a researcher (Edwards & Skinner 2009). And the cycle of action research is rooted in the hermeneutic tradition. Therefore, within the qualitative paradigm, reliability is interpreted as consistency with regard to ontological, epistemological, and methodological logics (Leung 2015).

In turn, the classical understanding of validity refers to the accuracy and adequacy of the measurement means. Yet when directly applied to a qualitative study, the criteria of validity can produce ontological and epistemological conflicts due to the divergent philosophical perspectives of the qualitative and quantitative paradigms. Therefore, in qualitative research, validity is about the “appropriateness of the tools, processes, and data” (Leung 2015: 325).

While quantitative researchers employ the principles of reliability and validity as a means of ensuring the quality of the study, qualitative researchers consider the principles of credibility, transferability, dependability, and confirmability to assess research trustworthiness (Miles & Huberman 1994, Lincoln & Guba 1995). The credibility construct (in preference to internal validity) refers to the congruency of findings with reality (Merriam 1998). According to Lincoln and Guba (1985), research credibility is the key to ensuring the trustworthiness of a study. Among other strategies, the use of well-established research methods, triangulation, ensuring the honesty of informants, iterative questioning, the peer scrutiny of the research project, the researcher’s reflection, and the examination of previous research findings are frequently mentioned as strategies for promoting research credibility (Shenton 2004). The transferability principle aims at ensuring that sufficient contextual information about the data collection sites is provided so that the results can be applied to other situations (Merriam 1998, Shenton 2004, Lincoln & Guba 1985). Also, a thick description of the phenomenon under scrutiny underpins research transferability (Shenton 2004). The principles of dependability and credibility are closely related, mutually supporting and reinforcing each other (Lincoln & Guba 1985). Dependability refers to a detailed reporting of the research process, thereby allowing for work (if not the results) replication (Marshall & Rossman 1999). Confirmability is concerned with ensuring that research findings emanate from the experiences and ideas of the study participants, not from the researcher’s preferences. Therefore, careful argumentation of the decisions and
choices made during the research process is recommended. (Miles & Huberman 1994).

Although adjusted to the context of qualitative research, the constructs of credibility, transferability, dependability, and confirmability roughly correspond to the principles of reliability and validity. Yet Rahman (2008) emphasizes that action research belongs to a different paradigm of social inquiry and, therefore, is not answerable to the positivists’ question about the validity or reliability of the findings. In turn, Howitt (2010) emphasizes that using the criteria of validity and reliability (or their equivalents) to assess a qualitative study risks overlooking particular characteristics of qualitative research, thereby discrediting its value. In the case of action research, the use of traditional criteria does not allow accounting for (in particular) the practical orientation of the action research paradigm. Additionally, action research has a rather complex philosophical background that warrants developing specific quality criteria. Yet action research is diverse in its genres and forms, which complicates the process of devising generic quality criteria for action research. Furthermore, action research needs to meet not only the traditional research requirements, but also to satisfy the requirements of action research (Zuber-Skerritt & Fletcher 2007).

In the extant literature, there is a number of listings describing the requirements that action research should live up to (see Zuber-Skerritt & Fletcher 2007). In this study, the research quality is assessed using the criteria suggested by Bradbury and Reason (2001) as they are generic enough to cover all forms of actions research and detailed enough to account for all the specificities of action research. Bradbury and Reason (2001: 449) formulate five key issues that need to be considered: “(1) ensuring the quality of participation and relationship in AR [action research]; (2) reflecting on the value of the practical outcomes of work; (3) drawing on and integrating diverse ways of knowing and using different methodologies appropriately and creatively in the context of our AR; (4) evaluating the value of our work against its purpose of creating a better life and world for us and others; and (5) achieving systematic, systemic change over time, this means the enduring consequence of our work, by integrating the three manifestations of work: for oneself (‘first-person research practice’), work for partners (‘second-person research practice’) and work for people in the wider context (‘third-person research practice’).” In the following each issue is reflected against the current research.

The quality assessment of this study starts by addressing first the question of integrating various research practices and research voices, as a specific combination of “manifestations of work” predetermines the research logic and
guides the choices that a scholar makes during the research process. Chandler and Torbert (2003) emphasize that action research allows for rich variation in combining different research practices and voices as long as the chosen arrangement supports the research purposes and process. Additionally, the authors consider that a greater number of chosen research practices and voices warrant research quality. This research follows first- and third-person research practices and employs the traditional third-person reporting approach. Second-person research practice implies inter-subjective communication in various forms: face-to-face, verbal, and non-verbal communication (Chandler & Torbert 2003). The purpose of this research is to understand how entrepreneurs create business models to capture opportunities. Naturally, the process of creation is continuous, which implies that second-person research practice would allow capturing only certain instances of business model creation, not the entire process. Given the above, a combination of first- and third-person research practice was selected.

First-person research practice is manifested in the research-oriented action research cycle that allows reflecting on one’s research practice. It starts by acknowledging that a researcher always brings a starting position (Gummesson 1991) that guides the formation of the initial theoretical understanding of the research problem (i.e., the theoretical approach). The research process starts by openly admitting the importance of entrepreneurial actions in the process of business model creation, giving a perspective towards the subsequent development of the theoretical pre-understanding that culminates in developing a theoretical framework for the study. In turn, the theoretical framework for approaching the research problem guides the subsequent research actions and data generation. The theoretical framework provided the basis for developing the business model diary. Data collection ran in two phases, ensuring data richness and allowing the trial of a complex and interlinked theoretical framework. The reflection of the data collected against the theoretical framework enabled the emergence of the theoretical conceptualizations that combined elements that emerged from the data with the theoretical constructs laid out in the theoretical framework and used in practice. The developed theoretical conceptualizations do not aim at delivering fundamentally new theories but rather at incremental theory building, moving through the cycle of “extending theory–action–reflection–theory development” (Eden & Huxham 2006).

Third-person research practice is associated with the business model creation process that is being explored. Even though third-person research has frequently been associated with traditional social science research in the past, it also provides
opportunities for such research to be done in a profoundly different way (Chandler & Torbert 2003). In the current study, the participating practitioners are also researchers. The business model diaries gave them an opportunity to analyze and reflect on their actions and to think about future strategy. Additionally, in the case of the entrepreneurial teams, comparing business model diaries between the members of the group allowed for streamlining the ideation and creation processes.

The dimension of research voice refers to “the manner in which types of research are conducted and represented to the current participant in the research or to other audiences” (Chandler & Torbert 2003: 139). This research is reported using the classical third-person voice that contributes to establishing the objectivity of scientific knowledge by avoiding subjective and intersubjective voices (Chandler & Torbert 2003).

The next criterion refers to the quality of participation and relationship in action research. As elaborated above, this research attempts to pay attention to the first- and third-person practices in the present with regard to the future employing traditional third-person reporting approach. This combination inevitably has its implications for the degree of the scholar’s participation. Obviously, the nature of the study does not allow the researcher to be a complete member of the business model creation process. Yet, at the beginning of each data collection round, a presentation explaining the nature of the business model diary and the logic of its completion was organized. Additionally, the participation benefits for the respondents were clearly explained in order to achieve a win–win situation for the researcher and for the novice entrepreneurs. All the participants were provided with the full contact information of the researcher and encouraged to ask questions if they arose. The diary method requires commitment from the participants and, therefore, is associated with attrition. For that reason, the researcher was in close contact with the participants during the entire data collection process to reduce this attrition by supporting and guiding the participants. E-mails reminding participants about when they should complete the diary, as well as e-mails acknowledging the contribution of the participants, were sent on a regular basis. Additionally, if a participant asked a question with regard to the business model diary, the researcher sent the explanation not only to the person asking the question but also to the rest of the respondents in case anyone else had wondered about the same issue but had not asked the researcher. Additionally, during the entire process of the data collection the researcher was in close contact with various persons (those responsible for organizing the start-up accelerator program in Oulu, Finland; the participants of a project carried out at the University of Oulu, Finland; and the
participants of a venture creation training organized by the Business Model Design Center, Ålborg, Denmark) in order to enquire about the experiences of diary completion. The above-described techniques allowed the researcher to deepen the level of participation and maintain a close relationship with the participants, thereby substantially reducing the level of attrition.

The next key issue is associated with reflecting on the value of the practical outcomes of work, in other words, determining whether the study has any practical relevance. The problem of business model creation, and more specifically the high failure rate among start-up companies that is frequently attributed to the suboptimal business model, is a problem shared by the entrepreneurial community. The acuteness of the issue allowed obtaining participation and collaboration from start-up entrepreneurs. A better understanding of how a business model appears would: (1) allow establishing a company in a more effective way, emphasizing the key steps; (2) bring to the forefront the most critical practices in business model creation, thereby enabling a novice entrepreneur to avoid the common mistakes; (3) assist in making strategic choices; and (4) allow for retrospective analysis of the business model creation process, revealing faulty choices and sketching out the areas for improvement and innovation.

A quality action research thesis draws on and integrates diverse ways of knowing and using different methodologies appropriately and creatively in the context of action research. In other words, action research study is expected to make a contribution to knowledge, not only in practice but also in theory. By utilizing a combination of the four-territories-of-experience research approach, action research, and the diary method, this study elaborates and develops theoretical conceptualization from practice, thereby shedding light on the process of business creation that has not yet been addressed in the extant literature. Additionally, this study helps the entrepreneurship research community to gain a deeper understanding of the actions and behaviors of an entrepreneur. Also, it has the potential to bring business model research to a meta-level, opening up new avenues for research: Is it a business model that is being created before a company starts its operations or is it something else?

Evaluating the value of our work against its purpose of creating a better life and world for us and others refers to evaluating the macro-impact of the action research. In the situation of the unceasing economic crisis, a lot of people are being laid off and establishing one’s own company is one of the most common ways to create an alternative working place. Especially in Finland, where the Nokia mobile business has been sold, there are a lot of unemployed people possessing invaluable
IT competences. This research can act as a guide for people planning to establish their own business.
5 Empirical analysis of the business model creation process

It is painful to be an entrepreneur.

Research participant

This chapter tells a fascinating story about the process of business model creation that was revealed in the entrepreneurial diaries. The purpose of the following discussion is to elucidate the core processes of visioning, strategizing, performing, and assessing in relation to opportunities and business models, as perceived, interpreted, and managed by the entrepreneurs.

Entrepreneurship is frequently referred to as a journey, but I would rather call it a quest. And as the epigraph at the beginning of this chapter suggests, this quest is not necessarily only about pleasantness. Meandering like a river, it brings along troublesome learning, versatile experiences, success, and failure. No idea emerges ready for implementation—it requires time and effort to move an idea from conception to reality. And, as with the rivers, the process never runs in a straight line.

5.1 Visioning

As was previously discussed, visioning is essentially about imagining preferable futures. This subchapter serves two purposes. The first is to present empirical data with regard to how entrepreneurs envision the future opportunity and business model. In this, empirical occurrences related to the elements of future opportunity and business models are described from the action perspective. The second purpose is to weave the identified instances of visioning into a coherent pattern within an empirical context, in other words, to achieve a preliminary understanding of how the identified instances pertain to the overall visioning process.

5.1.1 Capturing the process of visioning

A business model is a vehicle for realizing an opportunity in practice, in other words, it can be argued that an opportunity is a starting point for business model

---

11 As all cases share similar entrepreneurial context, in the data analysis quotations from the different cases are used to illustrate a certain point. In other words, all collected diaries tell a story of business model creation allowing uniting them into a “grand story” and analyzing it as a whole.
development. However, as the data show, the process of business model creation in the start-up context does not begin with a full-blown opportunity, but rather with an idea. It is not yet an opportunity but a hunch or belief that there might be a potential business opportunity:

“We think that our business idea has potential.”

“We believe, that the business idea we have could become one successful business.”

“We believe that our business idea can be great!”

And at the initial stages of business model creation, only some elements of potential future opportunity are perceived by the entrepreneurs:

“So far we are still in the beginning phase of the idea. The basic idea is to sell tables made out of quality wood.”

“This could also be a market place for ticket exchange.”

However, the entrepreneurs recognize that not all ideas can grow into business opportunities. Some ideas remain just ideas, as evaluation proves that the idea cannot be realized:

“This venture idea might not work in real life for specific reasons.”

As the data demonstrate, to develop an idea into an opportunity, an entrepreneur needs to understand whether the idea is marketable. For that he or she starts creating a future that is yet to emerge by making assumptions about different sets of variables based on the embryonic conjecture of an opportunity (i.e., based on an idea or hunch). An entrepreneur anchors the idea in various insights.

According to the empirical data, idea marketability strongly depends on timing. In other words, an entrepreneur presumes that there is or is not a window of opportunity based on certain indicators, as these influence opportunity value and magnitude:

“Our target market is huge and the opportunity for on-demand deliveries is there right now.”

12 Some of the quotations are rather short that can be explained by the nature of the diary method – it allows for the short and concise, as well as detailed answers.
In the quotation below an entrepreneur makes an assumption about timing based on customer behavior:

“The timing is right since the customers are looking for this type of tool and comparing alternative solutions.”

Similarly, the industry clocks influence the window of opportunity:

“Since the beginning, when the idea appeared, I’ve felt that the business opportunity is huge. Especially now, when screen technology is moving forward and when everything is becoming wireless and remotely controlled.”

The above empirical occurrences illustrate that an opportunity window is shaped by multiple factors, whether they involve market conditions, customers, or technology. And an entrepreneur determines what the most important conditions for the opportunity realization are and, subsequently, where to pay attention.

The data reveal that another important aspect in conceiving an opportunity is evaluation of whether an industry and market are ready or mature for receiving an idea. This refers to the market size, market needs, industry trends, and competitive situation. Though an idea might sound feasible, it is not necessarily the case that the market size will support its growth into a business opportunity:

“The market size for this specific product, however, may not support an independent company.”

Similarly, a competitive situation in the market can make it very tough for a start-up to establish itself or, on the contrary, it can make the conditions favorable:

“It is a hard market to compete in, and we do not expect it to be very profitable.”

“We would be making a luxury card where the competition is less fierce.”

The assumptions that an entrepreneur makes at this stage give the direction for opportunity exploration and exploitation. In the example below the entrepreneurial team recognizes an opportunity to provide new solutions for personality and candidate assessments given current industry trends. The team assumes that by influencing customer behavior, industry growth will open up the market and allow for new opportunities:

“Since the personality and candidate assessment industry is growing annually, we assume that companies will be more open towards finding new tools for assessing their candidates.”
Simultaneously, as the data exemplify, the entrepreneurs try to anchor the idea in customer insight. Without creating value for a particular customer segment, a market cannot be realized. At this stage, the entrepreneurs envision whether there would be a potential need in the market:

“We believe there is a need for evolution within the segment and neuroscience could be the answer for it.”

“The business opportunity seems relatively attractive. There is a need for human-based 3D cell culture systems.”

The data also reveal that another important aspect involves anchoring an idea to a service, product, or experience that creates value. In the example below an entrepreneur envisions value as stemming from a combination of a product and customer experience in the process of product design:

“The product would add value to the customer by them feeling they are involved in the process of making the lamp by customizing the lamp to their liking. They would feel that they have received something unique and added value to their living space by having our product.”

In the example below an entrepreneurial team hopes to create customer value by providing products and services that are favorably different from those available in the market:

“We believe that we can offer our customers products and services that are better because they incorporate two key aspects of modern company management: CSR [corporate social responsibility] / marketing and customer feedback.”

Yet, as the data prove, the business model creation process is impossible if there is no intent to exploit an opportunity through organization. Intent, or idea ownership, is indispensable for growing an idea into a business opportunity:

“We think that our business idea has potential and is doable.”

“We believe that our business idea can be great if carried out in the right way.”

“I think we have a huge business opportunity. It all comes down to actually having everyone just working to their full capacity.”

As the data uncover, together with probing whether an idea could grow into a business opportunity, an entrepreneur envisions how a business opportunity could
be exploited and whether it is practically feasible. An entrepreneur assesses if she or he possesses enough resources to realize an idea or if he or she can acquire access to the necessary resources, as resources shape the competitive advantage of a future start-up. They are a vital input in developing and organizing an opportunity. The lack of the necessary resources or the inability to access them may lead to a situation where an idea remains at the idea level only. Resource base refers to tangible, as well as intangible, resources:

“[…] somehow less requirements for initial investment.”

“It seems possible that there would be possibilities to access sufficient amount of material at reasonable price.”

Whether an idea can be potentially exploited also depends on the availability of relevant knowledge and expertise. The lack of the necessary knowledge and expertise may hinder the growth of an idea into a business opportunity, whereas unique knowledge can provide a strong competitive advantage for a future start-up. In the example below, a future start-up plans to provide a service that is based on the distinctive knowledge in neuroscience that is possessed by the company:

“We believe that there is an opportunity to enter on the assessment market because of the revolutionary solution [the company] represents. We believe there is a need for evolution within the segment and neuroscience could be the answer for it.”

The following example illustrates how the idea development process can be stalled due to the absence of the necessary expertise:

“Given the academic qualifications within our group, we do currently not have much specific technical knowledge with which to build a prototype of the actual product.”

It is important to determine whether the key business operations can be organized and implemented in order to exploit an idea. In the example below, an entrepreneur envisions that it may be a sensible idea to organize the start-up in the form of an e-business given the market size:

“A start-up for this size market may not be realistic unless it functions as a virtual company, ordering the required services from outside.”

The following quotation illustrates that the lack of the necessary resources can substantially influence the overall business organization, as well as the way key
processes are arranged. Financial constraints force a future start-up to divide administrative responsibilities among co-founders, as well as to attract volunteers for magazine content and design creation:

“the company could run as a business with the co-founders having a shared role in running the administrative part of the company while having volunteers working on the content and design of our product.”

Additionally, as the data show, when envisioning the way in which an idea can be developed and organized into an opportunity, an entrepreneur also considers other available options with regard to organization of the key process:

“A joint venture with a CRO [clinical research organization] focusing on 3D culture services could be another option.”

“A lean model with management of tissue suppliers, MyoGel production, safety tests, and delivery to customers would most likely be the option to start with.”

At the same time, an entrepreneur assesses whether she or he has the necessary networks in place to exploit an idea or if building a new network is required. Network navigation (i.e., the ability to build or acquire access to the necessary networks) may be critical for the market to be realized. Availability of the necessary networks supports the organization of the key processes and business model development, whereas the lack of them may prevent an entrepreneur from developing an idea further:

“An ideal solution might be a large partner with existing international delivery channels and customer network. In this business model the company having the rights to MyoGel would be focusing on management of the source of myoma tissues and further manufacturing and quality control.”

In the example below, a product cannot be brought to market unless an established market actor is willing to cooperate:

“We need a big player to take this to the market.”

The following quotation illustrates that organizing a network of collaborating biobanks is critical for growing an idea into a business opportunity:

“Opportunity exploitation highly depends on realizing biobank collaboration and sensibly organizing the financial flows.”
The data reveal that strong competition in the market can make an entrepreneur wary of proceeding with the idea realization. Yet, on the other hand, accessing a competitor network can support and boost the development of a start-up. In the example below, an entrepreneur makes assumptions about a network organization that would facilitate and support opportunity exploitation:

“There are strong competitions in Denmark (Aalborg). At the same time we could create a strategic alliance with the current competitors.”

Also, an entrepreneur needs to decide how to become accepted and recognized in the market. A lack of legitimacy at the beginning of the venture development can, among other factors, hinder or complicate the development of the necessary networks:

“It is likely that they will be more willing to cooperate with us as soon as our company reaches a larger size.”

Some entrepreneurs resort to marketing in order to build recognition among customers. Of note is that, while some entrepreneurs try to envision the marketing process, others simply rely on word of mouth. As the examples below illustrate, it can be explained to some extent by the market context that plays a part in affecting the entrepreneur’s options, and subsequently his or her decisions:

“The team also believes the ‘word of mouth’ concept will be crucial for attracting more customers since we operate in a niche market (music enthusiasts).”

“We make a blog and cooperate with bloggers to tell a story regarding our products and the backgrounds these come from.”

As the data reveal, entrepreneurs also think about how they can sell and deliver their products to the customers. If an entrepreneur plans to sell high-quality, high-priced products or services, she or he is most likely to envision selling through an exclusive retailer that is more appropriate than the local supermarket:

“We will go for the high-end market and in that way differentiate ourselves from our competitors by selling our cards through exclusive shops.”

Alternatively, if an entrepreneur opts for e-commerce, the speed of e-business would set the customers’ expectations:
“We [...] want to keep our business model scalable and so simple that most of the processes can be automated. Therefore we would consider our mode of delivery to primarily be electronic.”

Also, entrepreneurs consider the environment where the processes are to take place. For instance, the example below illustrates that the cultural environment can influence not only the volume of sales but also the very possibility of selling. A specific cultural environment can serve as a test bed for opportunity viability. Some entrepreneurs opt for a culturally difficult context as a first market in order to challenge a potential business opportunity:

“Our market focus is on the city of Aalborg. People here are more scottish so we believe that if we can sell it here, we can expand to other Danish cities.”

The data show that the business model creation process also involves reflecting on the question of whether business can be done profitably—whether sales will be generated in the first place. The value remuneration part of the business model is complementary to the value generation dimension. Developing an idea into a business opportunity involves envisioning why others would be willing to pay for the value that the idea represents. In other words, an entrepreneur determines whether an idea is attractive to the customers by the degree to which they are ready to pay for it. Logically, if no one is willing to pay for it, even hypothetically, an idea can hardly be developed into a business opportunity. To determine this an entrepreneur amasses relevant knowledge in order to make an admissible assumption about the market. And a bet is carried out on this assumption. Market studies of various formats (whether surveys or interviews) assist entrepreneurs in making hypotheses about the market.

In the quotation below, an entrepreneurial team did a preliminary market study to determine whether there is potential in the market for a game they are planning to offer. And, based on the responses of the potential customers, it seems that the game may be attractive for users:

“Until now it looks like there could be a market for our product.”

Similarly, in the following quotation, an entrepreneurial team explicitly refers to market research and its results in order to determine the value of an idea. It plans to provide consultancy services for companies, offered by students. Based on the collected feedback, it turns out that both parties, the companies and the students, would benefit from this cooperation:
“Our research in the market suggests that there is a real need for the services we are providing and the solution we bring. [...] Also, based on our multiple interviews with potential customers, we have determined that previous contact and collaboration with companies could make the difference between having a job or not. Thus, we would come in handy for start-ups, small and medium enterprises, and even large companies that will have an alternative to consultancy services, especially for the ones that do not require extended experience and knowledge.”

Yet, in the following example, a market study makes an entrepreneur doubtful about the attractiveness of his business idea. Initially, he planned to start organizing small-scale concerts in a provincial Danish town. After asking potential customers about the price they would be willing to pay for a concert, the entrepreneur came to the conclusion that, given other costs, the business would hardly be profitable. In other words, potential customers did not see much value in the concerts and were not willing to pay a higher price:

“Judging by the knowledge gathered until now, it is extremely hard to make a profit based on concerts.”

If some entrepreneurs rely on the feedback from the market and potential customers in order to envision whether an idea will be paid for, others fall back on the knowledge and expertise embedded in the idea itself. In the quotation below, an entrepreneurial team believes that the idea is of value as it utilizes knowledge in a unique way. Yet, in this case, the team is trying to make an assumption about the market solely based on internal knowledge, without receiving any feedback from the market environment. A bet based on such an assumption may prove to be very risky as what the entrepreneurs assume is not necessarily what the customers want:

“Our solution is unique and incorporates the knowledge from this field in a new and interesting way, which we believe can produce unprecedented results and solutions.”

Additionally, as a quotation below illustrates, potential stakeholders will always wait until idea value is established:

“As a small start-up we also face the usual scepticism of larger organizations towards new businesses.”

As elaborated on previously, the marketability of an idea strongly depends on an opportunity window, among other factors. Yet, as the data show, it is not only about
the right time, but also the right place. When envisioning a location for future business operations, entrepreneurs take into consideration several important aspects.

Naturally, spatial context plays an important role in idea development and the business model creation process. An idea may have high potential but cannot be realized in a certain location due to various reasons. In the examples below, one entrepreneurial team perceives a local market as too small, whereas the other perceives it as favorable for idea development:

“the city of Aalborg might be too small to start up the business.”

“We believe that our business idea has large potential in the Danish start-up community […] as we would be able to expand our business venture.”

Of note, as the data reveal, there are multiple characteristics of a location that can have direct or indirect influence on idea development and, consequently, on the business model creation process. For instance, in the following quotation, demographic characteristics play a role. Despite their low income level, young people are prone to spend money on craft beer, which potentially provides a basis for growing an idea into a business opportunity:

“The data shows that the new generation, aged between 18 to 30, are very interested in drinking special beers, even though their income level is low.”

Others refer to the competitive situation in the future location. The quotation below illustrates that an entrepreneurial team perceives the possibility for future business given the absence of direct competition in a chosen location. Yet, there are similar services in other areas:

“Our business idea addresses customers that haven’t been covered by this type of service. We will provide an online platform for searching for available music places […] There are similar services running in some countries though.”

The data also indicate that the potential of a chosen location triggers considerations about internationalization possibilities. Yet the specifics of an idea may preclude an opportunity from going international:

“It would be possible to expand into the Nordic countries or further if there is enough traffic in the Danish market.”

“The idea might not be applicable in other countries as it is, based on both legal stuff and culture.”
Of note is that it is not only the geographical location that the entrepreneurs envision but also the location of the business processes—whether these are to be carried out in-house or outsourced. In the example below, an entrepreneur envisions that it might be possible to outsource part of the marketing activities to a customer:

“Also CROs offering an assay service would be important, not only as customers but also as an additional source of marketing.”

Similarly, in the next quotation an entrepreneurial team envisions that it may be possible to organize sales through one of the stores, thereby outsourcing this business process:

“We think that it would be possible to sell this game through the pro shops.”

5.1.2 Visioning in an empirical context

A business opportunity is fundamental for creating a new venture. Yet it appears that business model creation does not start with a fully fledged opportunity but that it starts with an idea or a hunch, frequently associated with an emotionally-colored eureka moment that gives impetus to the whole process. It seems that hunches and gut feelings do not describe an opportunity but signal a possibility to develop it that is emphasized by the prevalence of the positive feelings. At the beginning of business model creation it is a thought that has the potential to become a business opportunity and a fully fledged business opportunity is still latent (with only some elements of it perceived by the entrepreneurs).

However, not all ideas transform into business opportunities—some remain just ideas. To turn an idea into a business opportunity, an entrepreneur needs to determine whether an idea is marketable or not. For that reason, he or she begins inquiring into the external environment, thereby making assumptions with regard to the potential business opportunity. In other words, it seems that an entrepreneur starts embedding an idea into the external environment and envisioning whether it has potential to grow and be developed into a business opportunity.

This process appears to be related to and highly dependent on the entrepreneurial intentions. It does not matter whether an idea is timely, can survive in the market, and can create value for the customers if there is no intent to exploit an opportunity through organization. Intent, or idea ownership, is indispensable for growing an idea into a business opportunity. Unless an entrepreneur is motivated
to proceed with business organizing around a potential opportunity, the idea is immaterial.

An entrepreneur continues with envisioning how to organize around an idea. Here, considerations with regard to the internal (as well as external) environment play a significant role. Business modeling allows for screening the signals from the external and internal environment, paving the way for developing an idea into an opportunity. Since contingency is an indispensable part of the business model creation process, entrepreneurs develop alternative action plans.

Envisioning how to realize the potential of an idea appears to be closely linked with establishing legitimacy in the market. In the context of building a start-up, marketing appears to be among the most important means for achieving legitimacy as it allows building recognition among customers.

Entrepreneurs also think about how they can sell and deliver their products to the customers in order to verify whether a business idea is practically feasible. Yet, it is not only the technical side of sales and delivery that should be considered but also the environment where the processes are to take place. Specific characteristics of the external and internal environment may substantially influence idea realization and the business model creation process.

Envisioning how selling can be organized paves the way for considering the why part of a business model (i.e., answering why business can be done profitably—why sales will be generated in the first place). Envisioning business profitability at the idea stage boils down to discerning whether an idea is of value to the potential customers based on certain internal or external signals. It can be knowledge gathered by means of market research in various forms or an entrepreneurial consideration, based on the previous experience. It does not entail a detailed discussion of the revenue sources, or volume or profit estimations—it is more about profitability in general.

Additionally, there are multiple characteristics of a location that can have a direct or indirect influence on the idea development and, consequently, on the business model creation process. It is important to delineate these factors and to make admissible assumptions about their influence on idea development. In other words, during the visioning phase alertness to the environmental signals and the ability to incorporate them into an idea and business model development seem to be critical.

In sum, it appears that visioning in business model creation is about painting the possible ways of growing an idea into a business opportunity in broad strokes.
Seemingly, it is about making admissible assumptions about the internal and external environments, as well as making bets about the future.

5.2 Strategizing

This subchapter follows the logic of the previous one. While the preceding subchapter presented empirical data with regard to what entrepreneurs do when envisioning a preferable future opportunity and business model, the following subchapter aims to document how entrepreneurs model the way to achieve the vision. Additionally, it describes how different instances of strategizing relate to each other and constitute a coherent story in the empirical context.

5.2.1 Capturing the process of strategizing

*If one does not know to which port one is sailing, no wind is favorable.*

Seneca

As the data show, entrepreneurs clearly differentiate between two types of environment that have direct or indirect implications for the start-up development. The first one is rather general and is analyzed by considering which broad aspects are likely to have an impact on business development. The quotations below exemplify, for instance, how legal and institutional dimensions can restrict the possibilities for opportunity realization, as well as define how a business is organized and operated. Legal regulations can necessitate opportunity reformulation and restructuring the key business operations:

“One key issue related to the opportunity will be dependent on how the biobank collaboration can be made functional from the regulatory perspective and what will be the related costs.”

“The economics and regulation related to myoma tissue collection need to be studied in more detail to know which is the most optimal way for key operations.”

Naturally, depending on the specifics of the business, general factors vary in relevance. For example, for the technology-sensitive business, the availability of the necessary technology or the feasibility of developing the firm’s own technology is of key importance:
“If it turns out that the display quality is poor, we can pivot and use another screen.”

“Technology and new smartphone applications are popular as well for content subscription and can easily become a launch pad for a start-up business.”

“Business opportunity in bio-fuel production is huge. Suitable on-line and real-time measurements are missing. Our technology can also be applied to other industries.”

Another example of a general-level factor is the cultural dimension, which relates, among other factors, to the history of the territory, its values, and manners. Entrepreneurs realize that the cultural aspect can have major implications for the business by enabling or inhibiting opportunity realization. In other words, some cultural features may foster and support opportunity development. As the quotation below illustrates, sound produced by high-heeled footwear is perceived as unpleasant and distracting. In turn, the above implies that some cultural characteristics may require adjustments in opportunity formulation, whereas some seemingly great business opportunities may be incompatible with certain cultural environments:

“The sound created when walking in high heels is annoying to many women—not only to themselves but for other women as well, as described by them. Based on the interviews conducted, a large majority would be interested in a solution that can reduce the noise created.”

Also, as the data show, entrepreneurs recognize the importance of a dynamic understanding of the socioeconomic situation. To develop an agile and customer-conscious business, it is critical to analyze the social environment in which an opportunity and business processes are embedded, as well as to discern social tendencies that may support opportunity realization:

“The business opportunity is high. The trend of drinking special beers, and thus the demand for special beers, is growing: there has been a 64% increase in the last five years.”

According to the data, another aspect of corporate social integrity is associated with sustainable development and ethics. In the case of socially oriented business that bring society’s well-being to the forefront, it is of paramount importance to devise effective means to appeal to human values and emotions. Much depends on the
ability to visibly connect a business opportunity with a social cause that is relevant for a wide audience:

“The social impact of the organization is definitely our strong point, the way we present our ‘Adopt a tree’ initiative and the transparency we exhibit in showing our social causes are what makes people react positively.”

As for the economic aspect, the entrepreneurs assess the favorability of the market and industry for a start-up, as well as the feasibility of accessing them. Business trends play an important role in conceiving an opportunity, as well as developing ways to exploit it. A growing industry supports the development of new opportunities:

“The current global travels and tourism markets are known to be a rolling yearly average of $7.17 trillion [...] The business opportunity has a strong macro-economic base with steady growth in the global tourism industry.”

However, it can be very hard for a start-up to penetrate the market. Thus, entrepreneurs devise the means to compete against the incumbents in order to occupy a desired market position. The quotation below illustrates that the entrepreneurs clearly understand the market situation and devise a way to change it—even though competition may be challenging, a good value proposition can serve as a means to take the desired position:

“We think that we have a good value proposition that is wanted by the market, but that the market itself is rather tight knitted and will be hard to penetrate.”

The second type of environment is closer to the company. As the data show, analysis of this environment influences the entrepreneurial decisions with regard to the offering, the necessary resource base, the target market, key business operations, revenue streams, the location, and networks. An entrepreneur starts by deciding what she or he is going to offer to the customers and, more importantly, how to differentiate the offering on the market. For instance, the quotation below exemplifies that an entrepreneur plans to offer an event search service. He recognizes, though, that such an offering is rather common on the market, therefore, in order to occupy a position in the given market, he needs to provide a service that generates higher quality results:

“By offering a high quality of data with our service, our users can search for any event in Denmark according to their personal interest.”
As the data illustrate, another possibility for differentiation is found in providing a more comprehensive or unique offering. By defining the nature of differentiation, whether this is a new or enhanced product or service, an entrepreneur tries to juxtapose his or her offering with the ones available on the market:

“we need to include other kinds of tickets and services, not just football matches.”

“If we are able to include features that are beneficial for the entrepreneurs, we would be able to gain a larger profit from our services.”

“Our solution is unique and incorporates the knowledge from this field in a new and interesting way that we believe can produce unprecedented results.”

As the data exemplify, developing an offering also involves planning for the necessary resources, whether they are tangible or intangible. Resource availability substantially influences the quality of the offering and consequently its value, and, therefore, the potential of it to be recognized by customers:

“What we need now is further investment in order to develop our product more and to reach out to larger markets and business which will speed up our traction.”

“We need to get an internal hacker (programmer) in the team to develop a beta version and go live with a game partner before Slush in mid-November.”

As the data show, the availability of the necessary resources is vital in the initial stages of business model development. Yet, being new to the market often implies that an entrepreneur might not have the necessary channels in place that are needed in order to be able to access resources. As the quotation below illustrates, an entrepreneurial team does not possess sufficient financial resources to develop an application, neither does it have access to financial sources:

“We need the help of an investor to finance the development of our app because we are not able to gather the money needed to make the back-end and front-end development of our app.”

According to the data, an offering and associated value proposition have major implications for choosing a suitable target market, and entrepreneurs pursue a variety of different strategies in order to define it. The most widespread strategy revolves around the “problem–solution–target customer” line. An entrepreneur
starts by analyzing problems that his product or service helps to solve and then works out who is most likely to suffer from these problems:

“Drug research, pharma companies, and biotech companies would benefit from cost and time savings by avoiding investments in drug compounds that are likely to fail in clinical trials. CRO companies would get a competitive advantage by offering a service to end customers that would have better predictability than current solutions.”

In the alternative approach an entrepreneur begins with analyzing the solution (i.e., the product or service) and tries to determine who might benefit from it:

“The golf players we talked to generally like garden games, especially the Viking game. We think that it would be possible to sell this game.”

Some entrepreneurs start by analyzing the future start-up and its business. Previous knowledge and particular areas of expertise can help to establish a particularly attractive offering and guide the decision with respect to the right target market. The quotations below illustrate that an entrepreneurial team processes unique knowledge within the fields of neuroscience and neuropsychology. The team utilizes it to develop a special personality assessment tool to assist companies in finding the right people. The solution proves to be quite innovative as, according to the market analysis done by the team, the field of candidate screening lacks a test that is able to combine cognitive skills and emotional traits. The potential customer of the company would be

“SMEs and LSEs looking to fill the vacant positions. However, we are targeting the 2.5% innovative companies that will be more open in trying our new service, therefore our SAM is represented by more than 14 000 SMEs and LSEs.”

The unique knowledge of the entrepreneurial team allows the development of an innovative solution and, at the same time, the delineation of a certain target market.

Others decide to work with a particular group of people due to the specifics of the offering and value proposition. In the example below, an entrepreneurial team offers a product that allows reducing the noise produced by high-heeled footwear. Naturally, the target market consists of females opting to wear this type of shoe:

“women across the world that experience the noise generated by a high heel as a problem to some extent can be potential customers and users of our product.”
As the data show, one more strategy to outline the target market employed by entrepreneurs boils down to asking why the future start-up is uniquely located to solve this particular problem. Naturally, there might be no answer for some market locations. Yet, some marketplaces may yield a convincing answer, as the following quotation exemplifies:

“There is no dedicated beer shop in Aalborg; the previous hobby-based beer shop was closed due to bad management. In the Aalborg and Northern Jutland area, there are around 12,420 potential customers who drink special beers.”

In the example above the favorable location predetermines the target market. Later, in the process of business model development, the entrepreneur refined and portrayed the potential customers in more detail and this has further implications for organizing the key business processes (i.e., they must ensure that the customers not only get an opportunity to taste the various kinds of beer, but that they also get additional information about the beers and get to socialize):

“beer enthusiasts, and beer lovers and explorers. The segments are less price sensitive but demand knowledge of beers and the social need for drinking special beers.”

As the data show, having defined what to offer and to whom, the entrepreneurs proceed with planning how to deliver the product or service to the customers, in other words, planning how to organize the future business. In the process of configuring the structure of key business processes, three interrelated aspects come to the forefront: the nature of the offering, customer features or expectations, and environmental constrains (whether these are internal or external).

The data illustrate that the nature of the offering largely refers to the idiosyncrasies of a product or service. Some offerings guide the content of key business operations toward a certain configuration, whereas others provide various alternatives. For instance, in the quotation below, an application and a platform represent the core of an offering that, in turn, largely predefines the content of the basic business processes:

“Our key operations relate to software development and maintenance since our core business revolves around our platform and app.”

Another illustrative example relates to a planned off-license that will sell the above-mentioned beer. The entrepreneur plans not just to sell special beers, but to also
provide an experiential journey for the customers that explains a choice of the business organizations:

“running a physical shop, combined with the pub, we are able to guide the customers through our selection of special beers, and deliver the information they are looking for.”

If in the previous examples the content of the key business operations revolves around an offering. The quotations below illustrate that customer requirements can equally have major implications for business model development. The following example elucidates how customer preferences influence the form of the distribution channels:

“We believe that we can deliver the product to our customers using either or both a webshop and through retail sales channels, i.e. shoe shops. Based on our interviews, the latter can be of great importance in order to convince the customer.”

Similarly, another entrepreneurial team plans to adopt a user-driven strategy with respect to the offering development. For a start-up it necessitates extensive marketing efforts to be recognized and be able to occupy a certain position in the market:

“We aim to be primarily user driven as a very important part of our platform, and in order for this to be attainable we need to invest heavily in marketing.”

In the following example a future start-up plans to provide a platform to facilitate contact between camping sites and companies in order for the latter to gain access to a broader and different market when it comes to choosing a location for a company retreat, such as, for instance, teambuilding. As the customers are not yet fully aware of the cooperation possibilities, it would require organizing some support processes:

“Camping sites would need a strong supporting relationship in the beginning in order for them to get on their way and learn this new segment for which they will have to cater. They would have to be given a full sales pitch in person because, taken together, camping sites are a key factor of our network effect, and since there are few of these, they need to be given special attention. Companies would, at most, need personal assistance by phone or by email or they could access it on the platform.”
Also, as the data show, certain parameters of the external environment, as well as the internal setting of a future start-up, may influence the content and configuration of a business model. In the quotation below, a start-up plans to focus on providing a simple-to-use interface that compares all official and licensed partners (i.e., travel agencies, ticket sites, official box offices) for specific international sports events that will then guarantee a thorough and comparable overview of reliable partners with licensed tickets. This type of offering brings up safety considerations and related legal issues, as well as the question of organizing the necessary ecosystem of existing ticket sellers:

“we would need to solve the safety issues of counterfeit tickets and arrange for key partners to be cooperative.”

Also, quite obviously, the external environment can influence pricing strategies:

“In this area we could run in some trouble. From the start we have chosen a strategy where we are selling the table at a lower price than our competitors. This makes us attractive for buyers if we can offer a product that is of good enough quality for people to want to buy it. Although in this area it is also a weakness because our profit on each product won’t be as high as some of our competitors.”

Specificities of the external environment can direct marketing activities and their form and content:

“Some form of direct marketing would be used in the beginning since our initial research tells us that the market is hard to breach and orbits a lot around word of mouth.”

Being a first-mover in the market ensures some advantages—like setting industry standards, for instance—however, it also brings along certain challenges and does not guarantee success. It might turn out that the market needs may not coincide with what the first-mover originally envisioned. Thus, a careful analysis of the external context is required as being a first-mover allows a firm to influence the environment but does not provide opportunities for benchmarking:

“First mover in commercial usage of schools’ music rooms [...] We are lacking proof of concept at the moment.”

As the data shows, not only external factors can precondition the content and configuration of the business model—internal considerations can also do this. In
the following case, an entrepreneurial team plans to publish a student magazine that is not only “made FOR students, but also BY students,” stating that the magazine content and design are planned to be produced by the local student community, for the student community. It logically suggests that the students will cover issues that are relevant for this specific audience. The team aspires to also help international students to integrate into the local community and to learn more about it by publishing the magazine in English. The above considerations precondition several aspects of a business model. First, the offering is planned to be highly localized. Second, the target customer segment is the student community of a certain university. Third, all business operations are confined to one specific location. In other words, in this case, the business model configuration is more internally motivated than externally preconditioned. By no means are the external factors underplayed by the entrepreneurial team—they just do not have a decisive role in this business case.

The data show that an entrepreneur proceeds by planning the details of value remuneration, which involves deciding on the sources and volumes of revenues, as well as profits. Revenue sources refers to the inflowing amount of money and implies mapping how money comes in. And here the entrepreneurs need to consider customers who will pay. A similar logic of internal motivation and external preconditions is at play to that which is illustratively exemplified in the quotation below. An entrepreneurial team plans to put a price tag on their service that is higher than the market average as they believe that a low price might signal unreliability to a customer:

“We considered that if a product is priced below the average pricing, then the customer might not consider it reliable enough. Therefore, our service will be priced above the average number.”

Start-up companies rarely possess a portfolio of products or services. A business idea typically revolves around just one project. Therefore, the launch of the first product predetermines company survival and success. Yet new firms lack the experience and structures that would support the development of the value remuneration activities. Therefore, new entrepreneurial firms frequently simply benchmark the practices of more established companies:

“This way of charging (‘premium membership, ‘some artwork costs money, etc.) is not a new thing—we can already see it within Spotify and Kindle.”
“The pricing model will be a one-time charge for the product, as with any other supplementary shoe product sold in shoe shops and other retail outlets.”

The data exemplify that value remuneration structures evolve as a result of learning from previous product or service launches. Thus, a lack of knowledge forces entrepreneurs to start inquiring into the external environment in order to map business profitability. Here, customer feedback serves as an important guideline:

“No idea yet. We still need to validate how much revenue this can actually give.”

“The interviews show that 200 kroner is what many people are willing to pay for an event.”

Defining the revenue volumes is essential for showing the capacity of a new entrepreneurial firm to fulfill its promises and cover the costs associated with delivering a product or service:

“A set of LobGolf will be priced by how much it costs to produce plus transport plus the cost of some minor marketing of 30 to 40% extra for the retailers.”

The entrepreneurs recognize that a clear understanding of a customer segment can not only ultimately increase revenues but it can also allow for tailoring of value remuneration logic:

“strong confidence with end users and customer segments allow for flexibility, depending on customer and end users budgets.”

It is essential to estimate the various possible ways to benefit in order to demonstrate the potential of a start-up to survive:

“Initially our model includes project-based invoicing from pilot customers. Our aim is to gradually change this to a scalable licensing-based stream. We should be able to find key customers whose business works as an engine for our own revenue model.”

Deciding on business profitability is associated with juxtaposing revenue volume and potential profits:

“The costs of arranging concerts and events at the library—which includes food etc.—might be too high compared to the money that can be earned.”
In the following example, when designing the financial flows, an entrepreneurial team takes into consideration the offering, as well as external factors. They anticipate that an adequate solution to the problem, combined with the market demand, will ensure business profitability:

“our business can become profitable because there is a large potential market of end users as well as a general demand for a solution to the problem (bike theft) where the current solutions (such as reporting a bike stolen) are inadequate. Furthermore, our business can continually profit by expanding customer segments and developing added functionalities.”

According to the data, another aspect of business model creation involves the decision with regard to the location of the key business operations, whether they are planned to be carried out within the future start-up or outsourced. And again, internal and external factors are at play. It is frequently argued that the core business processes should be kept within the company in order to retain competitive advantage. Yet, as the data show, sometimes future start-ups are forced to outsource them also, mainly due to the lack of the necessary knowledge or competences. In the following example a company plans to produce a specialized type of bed for hospitals that can prevent the development of bedsores in patients. Normally, product development or design would be carried out within a company. However, the entrepreneurial team does not possess either the necessary engineering skills or knowledge. In this case, business idea generation and opportunity formulation can be considered as a core business process that is retained within the company:

“The lack of engineering skills and knowledge are a major obstacle in the creation of the prototype’s design [...] as, overall, the company is in need of specialists and investments.”

“The majority of the main activities will be carried out externally by using partners’ facilities and help. Those activities related to the manufacturing process will be probably be performed in the partners’ factories, whereas the logistics will be secured either by another partner, such as large logistics companies like DHL, or by the company itself.”

Another start-up team aspires to innovate traditional greeting cards. They plan to produce cards from hand-made paper with seeds in it so that it is possible to plant the paper after reading the card and grow a flower. It is noteworthy that most of the
process is planned to be outsourced and the company will function mostly as an orchestrator, doing sales and maintaining the relationships with the customers:

“First of all, production is divided into several steps. The design of the cards is made by the external designer. Then production and printing are carried out externally by a company in Holland. Then we will do sales by ourselves—we will contact retailers and try to book sales meetings. The website will be built and managed by our group.”

As the data illustrate, a decision on the location of the key business processes can be influenced not only by the internal considerations but also by the external constraints. In the following quotation, a start-up may be forced to rearrange the flow of one of the key business processes, namely collaboration with biobanks, due to the complicated legal issues:

“Biobank collaboration may not be as straightforward as hoped. The biobank law may make the use of biobanks for tissue collection too complicated. However, direct collection of tissue from the hospitals may be easier than thought.”

The above suggests that planning for the necessary skills—identifying strengths and weaknesses—is another aspect of strategizing. Good knowledge of the entrepreneur’s competences and those of the future start-up as a whole is important for capturing opportunity and developing a business model. The lack of the necessary skills or knowledge can curb the whole process:

“We need a front-end developer. We have a back-end. But we need a front-end goddammit.”

“I wish I knew Finnish bureaucracy. It is hard to be an entrepreneur.”

The data show that another important aspect in strategizing relates to identifying competitive and cooperative networks. If, at the general level, an entrepreneur assesses the competitive environment as a whole, analysis of the immediate company environment implies identifying direct and indirect competitors. A target business field is frequently already occupied by competitors who do not favor the arrival of a new actor. Therefore, it is of paramount importance to determine a strategy with which to deal with them:

“Being as good as Matrigel is not good enough since the market is conservative, reluctant to change, and—without clear benefits—there is no
reason to change the current solutions […] If the product can be used to produce more consistent data, it can be differentiated from the competitors.”

Alongside identifying competitors, strategizing involves building or accessing the cooperative networks that possess the capacity and/or knowledge to assist in realizing a business opportunity. Business networks allow a start-up to integrate into a relevant ecosystem and gain the necessary support, in other words, they enable building bonds with the relevant business context:

“Partners with complementary offering are needed.”

“Then we would need to arrange for key partners to be cooperative.”

“It is important to build a strong trustworthy relationship with the schools who are the key partners.”

5.2.2 Strategizing in an empirical context

As was previously discussed, if visioning appears to be about creating options for doing business, strategizing is about choosing which options to pursue and allocating the means to implement these options. In other words, strategizing is largely associated with defining market position and effective resource organization. For that, an entrepreneur starts by analyzing key factors that are likely to have influence on opportunity exploration and business model formation.

The above analysis reveals that general-level factors play an important role for continuous fine-tuning of a business idea and for planning processes to exploit it. Analysis of the outer context allows defining whether it is possible and worthwhile to pursue idea development and determining the implications for organizing key business processes.

The second type of environment is closer to the company and by analyzing it an entrepreneur plans the perimeter of his business in order to be able to capture the business opportunity in the future. The process of planning business operations appears to be twofold. It involves the decisions regarding the form and content of the key business processes. In the process of business model creation, strategizing is about finding a fine balance between external and internal factors. During some stages, business model creation is more internally motivated (i.e., the idiosyncrasies of a future start-up play a leading role in the planning process), and during other phases the planning process may be more externally preconditioned. The interplay
of internally motivated and externally preconditioned decisions elucidates the process of strategizing in the business model creation process.

As previously elaborated, the process of visioning is mostly concerned with hypothesizing whether an idea represents a value the customers are willing to pay for, in other words, whether an idea can potentially trigger financial streams. In the strategizing phase, the convention is to be established on the ability of the company to draw income. Mapping the financial streams may prove to be a daunting task as it is mostly based on assumptions about the business idea and market. However, even approximations are important to develop as they allow a new entrepreneurial firm to become more precise and delineate possibilities for profit.

The data analysis illustrates that it is frequently the case that most of the business processes, including the key ones, are outsourced due to various reasons (such as a lack of skills or necessary resources). And the start-up plays the role of an idea owner and business orchestrator.

While visioning seems to be mostly about hypothetically developing an idea based on hunches and suppositions, the process of strategizing appears to allow translating the assumptions into an actual business model.

5.3 Performing

The prior subchapters presented empirical data on visioning and strategizing processes in the course of opportunity and business model creation from the action perspective. It appears that visioning is largely associated with making assumptions about the internal and external contexts and envisioning the ways of transforming a business idea into a business opportunity, wherein a business model serves as a vehicle for the transformation. In turn, strategizing allows translating the assumptions into a business model. This subchapter elucidates the occurrences of performing in both opportunity and business model creation and links them with the empirical context.

5.3.1 Capturing the process of performing

As previously discussed, the opportunity window is a constellation of different factors, whether those are customers, the market, or industry trends. The data show that performing aims at testing the assumptions and choices against perceived reality. Inquiring into the temporal dimension allows finding a balance between the elements of an idea and of a business model and adjusting to the opportunity
window. A closer look into the industry trends may prove that the market is not yet mature enough to receive the idea:

“It could be that the total market size is less than €20m, although we were expecting it to be at least three times bigger based on our earlier analysis. Personalized medicine may offer a big opportunity in the future.”

As the data illustrate, estimating potential market size is of vital importance for bringing an idea to the market. Inaccurate assumptions about the market size can lead to a situation where an idea and business model later need to be reformulated and adjusted according to its actual size. For instance, the market may appear to be too niche. And a product or service that could hypothetically attract only a fraction of the population is typically perceived as a risky investment. Alternatively, it may turn out that the market possesses greater potential than originally assumed. In any case, as the data show, having this information is essential for approaching potential licensing or acquisition partners:

“Based on recent market studies the market size for the product is smaller than expected […] Selling the technology to an existing company seems a more realistic approach.”

The data illustrate that customer validation is another approach to estimating market potential. Discussions with potential customers allow testing assumptions about the potential target market against reality and identifying whether there is a market at all. By means of customer validation, a new entrepreneurial firm can recognize whether a business idea is of interest to a potential customer in the first place, thus fostering market knowledge accumulation, as well as customer insight development:

“The need and opportunity seem real. For example, after the discussion with UKI Arkitehdit today.”

Discussions with the customers may reassure an entrepreneurial team about the chosen target market or necessitate target market change as a result of the wrong initial assumptions. In the example below, an entrepreneurial team was forced to give up its initial target market as potential customers were not interested in the product offered by the team:

“We changed the focus from golf players to people with a garden and kids. We did this because it seemed like golf players preferred to play golf and because we want to reach a broader customer segment.”
Customer validation allows identifying whether a chosen target market is too broad and needs to be changed so as to target a specific group:

“We have also figured out our beachhead market, based on both our desk and field research results. We will pursue women aged 18 to 49 as our beachhead market, as opposed to our earlier beachhead market that was men.”

In turn, a change in the target market has implications for the business model development since it inevitably triggers modifications in the formulation of the value proposition and organization of the key operations:

“We are targeting a new segment—international students—and have a new value proposition. After having a meeting with Studycykel we found out that there is a huge demand from international students for bikes and market validation confirmed it.”

Market knowledge and experience are also revealed in a better understanding of the competitive situation in the market. It allows realizing how an idea is different and how to organize around this idea so as to occupy a desired market position:

“After we did an interview with our competitor and did more validations in the field, we think our business idea is totally doable and has potential to compete in the existing market.”

“We have found one competitor but they seem to have their very own, old-fashioned way of doing things so we can differentiate ourselves easily.”

However, as the data illustrates, gaining market knowledge might prove a daunting process. Naturally, there are statistical, government, and trade association data, censuses, and customer surveys already available. However, in order to get a tailored customer insight, one needs to research the market given a specific business idea. Additionally, as the quotation below reveals, time may play against a new entrepreneurial firm:

“Making interviews face-to-face with a lot of people is not always possible for the given deadline as the time for a company/individual to reply and accept/decline the interview varies.”

As the data reveal, performing allows determining whether the assumptions about the potential value of the product or service for the customers are accurate. In the example below, as the idea and business model evolve, an entrepreneurial team realizes that it has envisioned the product that in reality does not meet the
requirements of the chosen target market. In other words, the potential customers do not see any value in the product that the firm intends to offer. In this case, the team could either change the target market or modify the product. The team opted for the latter alternative by modifying the offering, which enabled the entrepreneurs to utilize the existing opportunity window. In turn, the new offering induced changes in the opportunity perception, opening up new business options:

“We have changed the concept of the product quite a lot since the beginning because we found that what we thought people wanted was not what they wanted; they wanted something else which we are currently working on. This makes us think that we are currently working on a product that has some good business opportunities.”

Potential customers may provide invaluable insight for realizing a business idea in a concrete product or service. Understanding early on what a customer actually wants can not only save time and resources but also foster the idea development along the new vectors:

“A few things have happened which made us think, but this is positive. We have received different kinds of feedback and now we are more open-minded. We are not stuck with the E-Ink Color option, but we will still have that as a first option.”

As the data illustrate, supposing whether a product or service is of value to the potential customers is an intricate process: Entrepreneurial assumptions and the customer’s conception of value may be antithetic. Additionally, a customer might not see any value in the offering in the first place. In other words, the customer does not recognize a problem that needs a solution:

“The first major problem we are facing at this moment is convincing all the three parties involved in our business that there is an existing problem in how private child day cares are providing food to the children.”

The data explicate that performing also allows delineation of the gaps in the necessary resources, whether it is tangible or intangible. The lack of necessary resources or inability to access them may force a new firm to either modify or abandon an idea. In the example below, an entrepreneurial team does not possess the necessary skills to produce a product prototype. Naturally, without a prototype, it is impossible to access the market. And they also do not have the financial resources to acquire the skills:
“The lack of engineering skills and knowledge are a major obstacle in the creation of the prototype’s design. Furthermore, the provision of funds would also facilitate the realization of the business idea.”

Additionally, the networks that were built to support the business model development can change. And it can exert an unpredictable influence on the idea and business model development as the whole process needs to be started anew:

“The person in charge at Valvira has gone and the discussions need to be started with a new contact.”

Alternatively, for a start-up it may appear complicated to build the necessary network given the lack of legitimacy in the market:

“[We] have to find the right people to cooperate with.”

A reality check may prove that a business idea, though seemingly feasible, is impossible to implement in practice:

“We don’t know if there is actually enough available private parking spots to cover the start up of the company. Furthermore, it is unclear how many would be willing or able to rent out their parking spot.”

In the quotation below, inaccurate assumptions and inadequate choices with regard to the resource availability led to a situation when an idea and business model cannot be developed further. An entrepreneurial team is forced to search for the external resources in order to be able to continue the journey:

“We have estimated that there is an existing opportunity, a potential market, and need for the product. However we do not have the resources to build the product. Therefore we need to get in contact with medical production companies in order to pitch in the idea that is based on findings from our research.”

If in the quotation above, largely internally motivated choices led to a halt in the process. The example below elucidates how an intricate interplay of the internal and external forces at the performing stage reshapes business operations. At present, given the market conditions, conducting business via the Internet could be the only viable solution. Additionally, it would require the company to externalize part of its business operations. In the future, as the industry develops, the market situation may become more favorable, opening up new possibilities for business organization. At the moment, however, licensing is perceived as a more suitable
A business model that in turn triggers changes in the opportunity conceptualization. Assumptions, confronted with actual market situation, can reshape the whole business idea:

“*A start-up for this size market may not be realistic, unless it functions as a virtual company ordering the required services from outside. The personalized medicine may, in the future, offer a big opportunity. Selling the technology to an existing company seems a more realistic approach [...] One company was interested to have a look at this, which could be an ideal partner for licensing.*”

The data show that generating first sales is critical for a new entrepreneurial firm as they create momentum, allowing it to sharpen its marketing approach, as well as further improve business operations. Yet, acquiring the first paying customers may prove to be a daunting task. However, challenges confronted in the external environment provide invaluable insight and give directions for the further development of an idea and business model:

“At the moment we are experiencing challenges with acquiring the first paying customers [...] because we don't have enough concrete proof of our concept.”

Linking an idea and business model through concrete actions allows determining whether the assumptions with regard to business profitability are accurate. The quotation below suggests that the firm’s profits at the moment are not enough to cover the costs of the concert organization. However, by attracting external funding, there is a possibility for further business development. In turn, reconsideration of the financial flows leads to modifications in the opportunity itself:

“At present time I think that creating small-scale concerts without public funding or sponsoring is nearly impossible.”

“the company will have to be a side project [...] it will only organize concerts and events once or twice a year.”

The data show that performing allows determining whether the chosen location is optimal for the business, as well as whether a firm is capable of carrying out all business processes in-house. The quotation below illustrates that the chosen location proves to be optimal for further developing the idea:

“I do not doubt that there is a need for more concerts and cultural events locally.”
Actions also allow for defining whether there is a need to externalize or internalize operations. The quotation below illustrates that a new entrepreneurial team does not possess the necessary capabilities in order to develop an idea into a fully fledged business opportunity. The team opts for attracting external expertise to develop an actual product:

“we do currently not have much specific technical knowledge with which to build a prototype of the actual product. Therefore, although we have some ideas on the functionalities and design of the product, we need external expertise to develop it.”

5.3.2 Performing in an empirical context

As previously discussed, in the process of business model creation, visioning is about making assumptions about the external and internal environments. Based on these assumptions an entrepreneur develops an array of potential options concerning various possibilities of organizing a business model to exploit a potential opportunity. Strategizing aims at focusing on a specific option and organizing around the chosen option. Thus, strategizing elucidates certain entrepreneurial choices made as a result of the interplay between external and internal environments. In turn, performing appears to aim at testing the assumptions and choices against reality.

As empirical data reveal, performing is a stage when entrepreneurs move from the level of assumptions to the level of actions. Actions allow entrepreneurs to link an initial business idea or hunch to the level of practice through the process of business model creation. The process of connecting an idea with reality is accompanied by intensive entrepreneurial learning. Irrespective of how carefully key business operations are planned, the dynamics of the internal and external environment feed back into the original entrepreneurial assumptions and choices. In turn, it allows an entrepreneur to either adjust her or his assumptions, choices, and actions according to the received feedback or to continue the chosen course of action. Thus, feedback from the internal (as well as external) environment guides entrepreneurial actions, influencing the business model creation process, and the gestation of future opportunity.

From the above it follows that performing (i.e., entrepreneurial actions) during the business model creation process appears to be accompanied by two interrelated learning processes: confirming and disconfirming. In the case of confirming,
internal and external feedback support the entrepreneurial assumptions and choices, and reinforce the chosen course of action. And the process of business model and opportunity gestation follows the logic of visioning and strategizing. On the contrary, disconfirming emerges as a result of a conflict between the internal and external feedback, and entrepreneurial assumptions and choices that in turn necessitates the adjustment of original assumptions, choices, and actions so as to reconcile and find a fine balance between the environmental feedback and entrepreneurial actions. This type of feedback requires modifications in the original logic of visioning and strategizing, as well as in the process of opportunity and business model creation. Therefore, anticipating a disconfirming learning experience, entrepreneurs develop alternative action plans. Irresolvable conflicts lead to termination of the whole process. Loops of feedback elucidated by the confirming and disconfirming learning processes seem to guide and modify entrepreneurial actions, triggering new directions in the idea and business model development. Tensions between internal and external forces make new entrepreneurial firms search for the alternatives in order to reconcile and balance them.

5.4 Assessing

Following the logic of the previous subchapters, this subchapter presents the empirical data on the assessing process from the action perspective and tries to provide a preliminary understanding of the assessing process in the context of both opportunity and business model creation.

5.4.1 Capturing the process of assessing

Similarly to visioning, strategizing, and performing, the process of assessing involves multiple various aspects. As the data reveal, it is important to assess whether the assumptions about the external environment were verified in the performing phase or not. The favorability of the external environment is among the most decisive factors for the success of a start-up. In the example below, exogenous factors seem to favor the development of a new company:

“Considering several factors of the organization’s environment we can say that we are highly confident about our chances.”
Similarly, in the example below the entrepreneurial team realizes that it cannot proceed with developing its business model further until the necessary certification is obtained:

“The challenge we have in our company now is that we need to have our lamps CE marked before we are able to start selling them.”

The data show that assessing whether the assumptions about the market trends and size are relevant is of importance for an emerging start-up as adversary market conditions can have a negative or even dramatic effect on the opportunity and business model gestation process. In the following example, an entrepreneurial team concludes that the local market does not have much potential. However, an international arena provides opportunities for growth:

“Slow progress in our sector locally but large scale and worldwide opportunities for our kind of business.”

As previously elaborated, timing is of paramount importance for a new entrepreneurial company. In the quotation below, an entrepreneur realizes that the access to a key element of his business appears to be limited at the moment. And unless the access is ensured, the whole process may be terminated:

“How the operations will get going is currently uncertain. Currently there are limitations to access to the source of myoma tissues and that needs to be solved rather fast. Without that the project may be terminated since the commercial operations also become questionable without the available ‘raw material’.”

Describing the competitive environment in an industry based on the objective statistical data may differ from the actual situation. For instance, some indirect competitors may be overlooked or the competitiveness of the offering may be wrongly estimated. The quotation below illustrates that in the course of a product development, it turned out that the new entrepreneurial team has developed an offering capable of outperforming the competition:

“Researchers seem interested and we have heard that the quality of the competing product is not that good and has been going down.”

As the data exemplify, opportunity realization strongly depends on designing an offering that meets or exceeds customer expectations (i.e., an offering that is of value to the customers). Yet creating an offering that is valuable from the customer point of view requires a deep and multifaceted understanding of the customer. In
the following quotation, an entrepreneurial team assesses that its current challenge is to find a target customer:

“We need help in understanding how to approach the problem of finding a starting point and understanding what a customer archetype can mean, specifically when related to visiting historical places.”

In the example below, an entrepreneurial team has conducted extensive market research that allowed not only for validation of the target customer group but also for determining that a developed product is of value to the customers:

“Generally, we think we have a great business idea. Our findings, which we have from the interviews we have conducted over the course of six weeks, indicate that we have designed a product that people want and can envision themselves using.”

The data show that having a prototype of an offering is essential in order to grow an idea into a business opportunity as it allows gathering relevant feedback and reflect this against actions. In the following example the lack of “concrete concerts and events” prevents the potential customers from voicing their opinions. Having identified the problem, the entrepreneur sketches a course of action aimed at overcoming the obstacle and continuing to develop the idea further:

“Without concrete examples of concerts and events, it is hard to get people to give an answer about if they would like to take part. Therefore we need to look into the cost of hiring different artists and creating concrete events.”

In the following quotation, an entrepreneurial team perceives the potential of the business opportunity rather positively due to the first generated sales:

“I think that our business idea has some potential. We have managed to sell some of our products.”

The data reveal that first sales are of critical importance for an emerging start-up as it serves as an indication of a functioning business model and proves the value of a business idea. In the example below, an entrepreneurial team acknowledges the importance of organizing an efficient sales team and assesses its potential impact on business development:

“We have to get in touch with a sales team that would help us to promote and sell as many tests as possible. Getting the right sales team is rather important because getting in touch with business leaders and getting out the name of [the
company] will hopefully give us a great network making [the company] more trustworthy.”

The example below illustrates that developing a network of partners is estimated to be of key importance for future steps in business development and a new entrepreneurial team assesses what needs to be done in order to start building it:

“Our potential, future partnerships are crucial in terms of scalable success […] [We need] to partner up with key establishments inside the universities and use them as channels.”

Yet, as the data show, developing a network or accessing a relevant network may prove to be difficult for an emerging start-up due to the lack of legitimacy in the market, and building legitimacy feeds back into possessing strong networks. In other words, networking and legitimacy are closely interrelated and in order to continue growing an idea into a business opportunity, a new entrepreneurial company needs to find a way to break this vicious circle. In the example below, an entrepreneurial team plans for intensive work in order to reach their goals:

“We still need to contact retailers without having a network or a name of reference to set up a meeting. Due to that we really need to be persistent and be prepared for a lot of hard work coming up in relation to setting up meetings with potential business partners.”

The example above illuminates another important aspect in the assessment process, such as encouragement or motivation. As was discussed earlier, an emotional component plays a role in triggering the business model creation process. Similarly, the assessment process involves the reinforcement of the intention to develop a business idea despite various obstacles encountered. It allows sustaining and boosting the motivation of the entrepreneur or entrepreneurial team:

“We are optimistic about our business opportunity despite of having had experiences that have been challenging.”

“We still strongly believe in our business opportunity and we know that we will succeed with our idea.”

As the data explicate, assessing the resource base is an indispensable part of the process that largely guides the actions and shapes business model development. The lack of financial resources is a typical constraint for a start-up. On the one hand, it might limit the possibilities for business development, on the other hand, it forces
an entrepreneur to search for the solutions and to adjust an emergent business model accordingly. In the example below, financial constraints compel the entrepreneurial team to reorganize one of the key business processes and instead of having professional developers in-house, it opts for a more affordable solution. Additionally, having students as developers implies the possibility to outsource the coding work, at least till the company can afford in-house developers:

“It will be difficult to find experienced developers who are willing to join a startup where they are not going to get any salary for the period of time it takes to make the application and establish a foundation of customers and end users. This means that we have to look at students that are able to do the necessary work.”

Equally, intangible resources have an impact on business model development. In the following example, a team lacks industry experience. Therefore, it plans to seek advice with regard to this problem. In other words, during the assessment phase, the team realized that it lacks the knowledge to develop a business in a specific industry:

“We need help with the business part. The health sector is not familiar in practice to any of us.”

Similarly, in the example below, the team recognized that it lacks the sufficient technical and legal expertise to continue with business model development. Likewise, the team plans to seek help with regard to the above challenges:

“Technical help in terms of the development of our platform. Maybe also some legal consulting.”

The data show that planning key business operations is an indispensable element of the business model development. The assessing process allows for the adjustment and orchestration of the processes so that they support and reinforce each other, allowing for opportunity exploitation. In the example below, renting space is a key business operation of a start-up that is associated with certain risks of property damage. Therefore, the entrepreneurial team needs to pay special attention to the insurance issue in order for the business to be able to operate:

“We also have to insure the school so that they can rent out their music rooms without risking possible damage. Therefore insurance is a key issue.”
In the following quotation, the inability of an entrepreneurial team to organize one of the key business processes leads to a situation that requires rethinking the whole business model structure:

“At the same time we see a great challenge in our ability to sell ad space, which is why we are currently working on rethinking our business model into one that is not solely dependent on money from adverts.”

The assessing process may also reveal that not all business processes but only some of them need to be adjusted in order to allow for opportunity exploitation:

“We started to think about changing the direction and charging students for membership.”

Yet sometimes the assessment phase of the business model creation process reveals that an entrepreneur or a team do not know how to proceed, forcing them to seek external advice:

“[We need] advice on how to go forward.”

The data hint that the first transactions with a customer may serve as an idiosyncratic indication of a functioning business model, in other words, of a business model that allows for capturing value. At the visioning phase an entrepreneur pictures whether an offering has value for a potential customer. Strategizing is about planning how to monetize this value and performing implies testing whether a business can actually be profitable. Assessing, in turn, allows determining what needs to be done or adjusted in order to generate financial streams. In the following example, after generating first sales an entrepreneurial team estimates that “our pricing is realistic and suitable.” In other words, the team has devised an initial business model that allows creating and capturing value. However, it is not always the case that the assessment phase establishes the financial viability of a business.

In the following example, an entrepreneur realizes that his business model might not be able to create competitive advantage and generate profits. Assessment forces the entrepreneur to think about how he can change the business model so as to create a financial stream:

“How can you compete price-wise against other organizers who are getting public funding?”
The quotation above is a vivid illustration of how the assessment process feeds into the visioning and strategizing phases, compelling an entrepreneur to adjust his assumptions and to organize around the business idea in a novel way in order to achieve competitive advantage.

In the following example an entrepreneurial team recognizes that the initial pricing strategies do not support business profitability. And similarly to the previous case, assessment is closely linked with strategizing: The team determines a challenge and thinks of changing the business model so as to accommodate the challenge:

“The challenge right now is to determine the final price of the device. If it will end up too expensive, we might need to rethink and make this a high-end product.”

In the quotation below, the assessment process allows an entrepreneurial team to determine why their business is not going to be profitable and what needs to be done to generate first sales:

“We do not expect any sales to happen in the first half year of content releases as we will probably need some sort of proof of readership in order to start attracting customers.”

The data reveal that assessment is also important for determining whether all the necessary elements of a business model are in place. In the following example, an entrepreneurial team acknowledges that the financial aspect of a business model has not yet been developed due to the challenges in the composition of the offering:

“We are still thinking about how we will get money out of this, because we are not sure how to make the advertisements seem non-intrusive for users.”

Entrepreneurs also assess whether there are any processes that need to be outsourced or brought in-house. In the following example, the team admits that its IT competences are rather limited and decides to keep the process of software development within the company:

“Right now the challenge is to get the right and necessary features for our software. We can’t develop software, so we have hired a programmer to do the job.”

Alongside the decisions concerning the location of the business processes, the assessment is done with regard to the actual physical location. In the following
quotation, an entrepreneur assesses that Finland is too small as a market for the gaming industry, which necessitates the company to internationalize:

“Finland is small, gaming is global.”

5.4.2 Assessing in an empirical context

As previously discussed, visioning is essentially about making assumptions about a potential future. Strategizing involves making a choice with regard to the course of actions in order to realize the imagined future and organize around that choice. Performing aims at testing the assumptions and choices against the reality. Assessing appears to focus on analyzing and reflecting upon the feedback received from the actions, thereby closing the loop of visioning, strategizing, and performing. As a result, the process of assessing brings opportunity and business model gestation to the next iteration phase.

As the empirical data suggest, performing outcomes entail a wide range of implications for future actions and consequently, for opportunity and business model creation process. Yet, given their nature, implications are countless. And assessing not only elucidates the implications of the entrepreneurial actions but also allows interpreting them in the light of external and internal signals. Contextual interpretations appear to orient and motivate an entrepreneur more clearly.

The process of assessing allows shifting the focus of attention between visioning, strategizing, and performing, thereby spanning several territories of experience. It explicates visioning, strategizing, and performing and interweaves them, so as to widen the attention scope. In turn, a widened attention scope allows shifting the focus of awareness, thus enabling feedback processing from the taken actions and identification of the necessity for corrective actions. Reflection on the previous actions in the light of internal and external signals helps determine the viability of a business idea and reveal the gaps in the business modeling that need to be addressed. At the practical level assessing is basically about determining what functions and what malfunctions, and what can be done. Thus, assessing helps bridging entrepreneurial actions and thoughts, and by these means supporting and fostering effective experiential learning (Meyer 2003).

From the above it follows that assessing appears to assist in refining the initial business idea and business model configuration. Though performing and assessing are frequently only associated with opportunity exploitation, the data show that by paving the way for idea modification, assessing also supports continuous
opportunity exploration. And by revealing the missing or malfunctioning elements in the business model design, it fosters opportunity exploitation.

The purpose of the data analysis is to elucidate the processes of visioning, strategizing, performing, and assessing in the course of opportunity and business model creation. Therefore, these processes are discussed separately. Yet, given the high uncertainty and complexity of the creation process, some of the processes frequently overlap, giving new impetus and direction for the opportunity and business model gestation.

In the course of business model creation, the processes of visioning, strategizing, performing, and assessing are intertwined and are very close in time. The external environment feeds back into internally motivated choices and actions, and triggers change in the processes of opportunity development and business model creation. Similar dynamics are visible when the internally motivated assumptions are tested against reality, giving impetus and direction to future choices and actions.

5.5 The dynamics of the business model creation process

*The actions of men are the best interpreters of their thoughts.*

John Locke

The data analysis has revealed that business model creation appears as an intricate process. By proposing an empirical model that illustrates how entrepreneurs create business models to capture opportunities (see Fig. 5), this subchapter aims to summarize the empirical analysis and elucidate the logic pertaining to business model creation as revealed in the business model diaries.

The data show that the processes of opportunity and business model creation occur in parallel, mutually influencing each other. It is difficult to identify when either of the processes commences in time. The creation process does not start with a fully developed and well-articulated opportunity that an entrepreneur aims to explore and exploit but rather with a gut feeling, hunch, idea, or just an element of the future opportunity. An entrepreneur presupposes that he or she might have spotted opportunity potentiality (i.e., a chance or possibility that something will

---

13 Figure 5 is a succinct depiction of the business model creation process based on the empirical analysis. If we think metaphorically of the empirical analysis as a jigsaw puzzle, then the empirical analysis described the separate elements of the puzzle. In turn, Figure 5 explains graphically how the elements come together to form a picture.
happen or exist in the future given favorable conditions). Concurrently, an entrepreneur imagines how an idea can potentially be developed into a business opportunity and exploited. The dotted circles in the figure represent the elements of the future opportunity and business model that exist in the realm of potentiality. During the process of opportunity and business model creation there is an array of potentially available options with regard to the opportunity and business model creation. These options represent the decisions and choices pertaining to the future opportunity and business model.

![Diagram](image)

**Fig. 5. The empirical model.**

Both opportunity and business model potentiality are transformed into a business opportunity and an actually functioning business model by means of closely intertwined processes of visioning, strategizing, assessing, and performing—visualized in Figure 5 by a sinusoidal line. An entrepreneur constantly tests potentially available options (i.e., choices and decisions) against reality (i.e., the
external context that is symbolized in the figure by the transition from a dotted line to a solid line). In turn, feedback from the external context allows realizing (i.e., acting upon) some of the choices as satisficing future goals, whereas some of the choices become abandoned as they are not congruent with the external environment or future goals, for instance, due to some economic, social, or legal factors. This, in turn, leads to, first, making choices and decisions under uncertainty anew, and second, narrows the array of available choices and decisions. In other words, decisions and choices with regard to the future opportunity and business model crystallize as the creation process proceeds. In Figure 5 the crystallization of decisions and choices is visualized by the narrowing range of the sinusoid, as well as by the color transformation from light blue to black. The dotted- and solid-line circles not linked with the sinusoid represent abandoned choices.

The processes of visioning and strategizing support making choices and decisions under uncertainty, whereas performing focuses on acting upon these choices and decisions, and assessing allows reflecting upon actions. Taken together, performing and assessing allow linking the choices and decisions with relevant external conditions and filtering out choices and decisions that are incongruent with the external factors. The blue dots in Figure 5 represent contextually embedded, realized choices and decisions. Taken together they form the plane of business model creation. In turn, incongruence triggers the reformulation of choices and decisions, and ignites the circle of visioning, strategizing, performing, and assessing anew. In other words, the missing pieces of the puzzle necessitate further action.

It is noteworthy that the processes of visioning, strategizing, performing, and assessing can occur in parallel, as well as sequentially, as exemplified by the data. At the beginning of both opportunity and business model creation, the cycle tends to be relatively sequential as it is more about first mapping the internal and external contexts. At the later stages, when the process of creation is more about experimenting with the contexts, the processes can also occur simultaneously, ensuring a faster response and timely adjustments to the future opportunity and business model. An entrepreneur gathers feedback with regard to the previously made assumptions and concurrently suggests alternatives for future development. The external environment feeds back into internal assumptions and provides a basis for changes in visioning and strategizing. For example, in the quotation below, the processes of visioning, strategizing, performing, and assessing are closely intertwined. An entrepreneurial team envisions that business scalability may prove to be challenging in the future unless a website is developed. For that, the team...
needs to acquire external expertise (strategizing) that it does not have at the moment in-house (performing):

“If we aim to make a website we need people who can make that possible. People who know how to program and keep the website running continually. A major challenge in the future could be scalability. We only have two people at the production site, and two people to take care of marketing, sales, the e-shop, etc. So if we launch a website any customer can place an order, it is very important to think about scalability.”

The quotation below elucidates the connectivity of the performing, assessing, and strategizing processes. At the moment, a new entrepreneurial firm struggles to showcase its offering to the customers (performing), and without the offering it is difficult to collect customer feedback (assessing). Therefore, it is essential to work on the offering (strategizing) in order to be able to collect external input:

“For now the challenge is to have a product that I can present to the most likely customers. Without concrete examples of concerts and events, it is hard to get people to give an answer about if they would like to take part. Therefore we need to look into the cost of hiring different artists and creating concrete events.”

The above examples illustrate that the processes of visioning, strategizing, performing, and assessing do not occur in a linear fashion but rather in a non-linear fashion, where even small changes can trigger transformation in the internal and external dynamics. Yet, it is not a chaotic process, but rather a deterministic one. A structure revolves around the transformation of an idea into a business opportunity.

Similarly to the inception of both the opportunity and business model creation process, it is difficult to determine at which point in time an opportunity and business model are created. Rephrasing McGrath (2010), opportunity and business model creation are jobs that are never quite finished. Yet eventually a fine balance between the external and internal environment (i.e., the external environment and satisficing conception of the future opportunity and business model) is achieved and a temporary conjuncture of an opportunity and business model emerges, represented in Figure 5 by a black dot. Subsequent changes in the external and internal environment necessitate alterations in the opportunity and business model conjunctures, bringing a new spiral of development. This explains the continuation of the process after the conjuncture emerged. Thus, context mediates the process of continuous opportunity and business model evolution.
In sum, the processes of opportunity and business model creation are inseparable, mutually supporting and influencing each other. Changes in the formulations of future opportunity trigger adjustments in the future business model and vice versa. Both opportunity and business model creation involve making choices and decisions under uncertainty with regard to the future opportunity and business model and linking them with the external environment by means of entrepreneurial actions that elucidate the processes of visioning, strategizing, performing, and assessing. Incongruence between formulations of future opportunity and business model and external context lead to changes in the future opportunity and business model, as well as in the external context. It does not mean that the external context alters due to the reformulation of the future opportunity and business model, but an entrepreneur can switch to another, more suitable context. Once congruence between formulations of future opportunity and business model and external environment is achieved, both opportunity and business model become realized. However, the process of both opportunity and business model creation does not terminate at this point since this fine balance is unstable due to the constantly changing external environment. And changes in the external environment trigger adjustments in the internal environment (i.e., reformulation of the opportunity and business model).

Summary

This chapter fulfilled three purposes. First, it presented empirical data on the occurrences of visioning, strategizing, performing, and assessing from the action perspective. Second, it explicated what these processes appear to mean in the course of opportunity and business model creation. In the course of opportunity and business model creation, visioning is largely associated with making assumptions about internal and external environments that pertain to the ways of transforming a business idea into a business opportunity. In turn, strategizing seems to be aimed at translating these assumptions into a real business model. Performing allows assumptions and choices to be tested against reality, whereas assessing is about reflecting upon the actions, which allows for shifting between visioning, strategizing, performing, and assessing14.

---

14 In the current study, the author does not make any theoretical arguments in the form of a hypothesis, but develops a theoretical approach allowing to explore the process of business model creation. The approach serves as the theoretical lenses through which the phenomenon is viewed.
Third, the subchapter explained how the process of visioning, strategizing, performing, and assessing come together in both the opportunity and business model creation. Based on the empirical data, it appears that both opportunity and business model creation are iterative processes, aimed at achieving congruence between formulations of future opportunity, the business model, and the external environment.
6 Discussion and conclusions

Before moving onto a detailed reflection of the research findings in the light of the extant research and answering the research question, a short summary is required. Chapter 1 began by delineating a research gap that, in turn, paves the way for identifying the research objectives and the scope and delimitation of the study. The purpose of this study is to explore how entrepreneurs create business models to capture opportunities. The chapter proceeded by justifying the use of the four territories of experience and the action perspective as the fundamental building blocks of the research approach. Chapter 1 concluded by presenting the research approach of the study that unites the four territories of experience and the action perspective.

Chapter 2 reviewed the extant literature on opportunities and business models. Critical examination of the existing research allows positing the argument that, even though both streams of literature either explicitly or implicitly admit the link between the concepts of opportunity and business models, it is not known what the conceptual link between the two actually is.

In Chapter 3, a link between opportunity and business model was theorized from the action perspective. The concepts of business model and opportunity are linked through opportunity exploration and exploitation processes. In turn, from the action perspective, opportunity exploration and exploitation are elucidated in visioning-, strategizing-, performing-, and assessing-related actions. In the organizational context, the processes of visioning, strategizing, assessing, and performing correspond to four territories of experience. Chapter 3 concluded by elaborating the theoretical framework for the action-oriented study of the business model creation process.

In Chapter 4, the methodological aspects of this study were discussed, as was an approach allowing the empirical exploration of the actions of an entrepreneur associated with opportunity and business model creation developed. Chapter 5 presented the results of the data analysis in terms of the aspects elaborated on in the theoretical approach of the study. This chapter concluded with the presentation of an empirical model of the business model creation process. In the following section, the results of the study are discussed and analyzed.

The results suggest that both opportunity and business model creation are a dynamic interplay between conceptualization and contextualization processes. These processes are connected through a series of feedback loops, enabled and powered by visioning, strategizing, performing, and assessing. The weaving of
conceptualization and contextualization into a particular pattern of relationship drives the actualization of the latent opportunity and business model elements, thereby allowing for opportunity and business model creation.

6.1 “Going for a walk” in the context space: Discussion related to the research question

In contrast with the other studies in the field (cf. Osterwalder & Pigneur 2010, Zott & Amit 2010), the objective of the current research is not to come up with just another set of business model components or design principles pertinent to business model creation but to understand the logic or the mechanism that drives the process. More specifically the objective is to explore how entrepreneurs create business models in order to capture opportunities.

This study shows how the processes of both opportunity and business model creation occur in parallel through visioning, strategizing, assessing, and performing. In other words, opportunity and business model conceptualizations evolve concurrently. In turn, visioning, strategizing, performing, and assessing allow bringing the elements of opportunity and a business model up from the level of potentiality or latency to the level of actions, thereby embedding opportunity and business model conceptualizations into a certain context. The process of embedding is about finding a balance between a certain conceptualization and contextual response. Once the balance between conceptualization and contextualization is achieved, the opportunity and business model are realized.

The process of business model creation commences in a highly uncertain context—there are a lot of contextual variables, as well as potential options, with regard to both future opportunity and business model (Ojala 2015). Shane and Venkataraman (2000) argue that opportunity recognition is a key factor for entrepreneurship. In other words, business model creation is impossible without a recognized opportunity. Yet the process of business model creation does not start with a fully developed business opportunity but rather it starts with a eureka moment, an idea or thought (Nielsen et al. 2012, Giones et al. 2013, Ramoglou & Tsang 2016). It is not yet a business opportunity per se but rather a hunch that an


16 In this case, “a recognized opportunity” is not based on the ontological assumption of the discovery view. It can be a final product of the discovery, creation, or discovery-creation processes.
idea might have potential to be developed into a fully fledged business opportunity (Normann 2001, Baron & Shane 2008). At the initial stages of opportunity and business model creation, entrepreneurs describe opportunity potentiality in terms of an idea, possibility, promise, or chance.

Opportunity potentiality triggers the process of mapping a highly chaotic external context (Graves 2015). It allows an entrepreneur to sense the external context and to explore different options with regard to the future opportunity and business model. By mapping the external space an entrepreneur tries to embed an idea into the external environment and envision whether it has potential to grow and be developed into a business opportunity. In doing so, entrepreneurs continuously reflect on their choices and decisions against the feedback received from the external environment.

At this stage of the emergence of a new entrepreneurial firm an opportunity is latent, with only some of its elements being recognized. Naturally, every idea is unique, therefore, it is impossible to indicate what elements become visible at the initial stages of the start-up’s development. Frequently, entrepreneurs refer to the market gap, need, problem, or potential solution.

Already first sensing the chaotic external context allows the filtering out of unfeasible opportunity and business model options. In other words, the external context feeds back into the internal context, enabling subsequent contextualizing actions. Simultaneously, the conception of the future opportunity and business model starts to take shape. In this entrepreneurs reflect on the cues received from the external context and adjust the conceptualizations of future opportunity and business model accordingly.

The conceptualization of the future opportunity and business model is about making choices and decisions under uncertainty; contextualization is about acting upon these choices and decisions, thereby linking them to the external environment. At the very beginning of the business model creation process, entrepreneurs do not clearly understand the ultimate goals that they aspire to reach, which is revealed in their struggles. Generally, during the initial stages of both opportunity and business model creation, entrepreneurs have rather broad and expansive targets. Therefore, during the course of business model development, the nature and direction of the creation process take new forms as an entrepreneur tries to reconcile internal and external dynamics (i.e., he or she tries to conceptualize and contextualize the future opportunity and business model). This can be illustrated by the change of a target customer, business process organization, location, among other changes, or in an extreme case, by the complete abandonment of an idea.
The conceptualization of both an opportunity and business model changes due to the actions and interactions of the entrepreneurs inside and outside of the future start-up. In turn, a new start-up develops in an environment that has its own dynamics. Creating a business model is about finding a balance between internal and external dynamics by means of visioning, strategizing, performing, and assessing.

Iterations of visioning, strategizing, performing, and assessing support loops of feedback (Sosna et al. 2010) between the conceptualization and contextualization processes, thereby reducing uncertainty by squeezing the number of feasible options. Entrepreneurs become more focused and clear in their choices, decisions, and subsequent actions. These iterations allow turning the external, as well as internal, context from being chaotic, non-repeatable, and non-actionable to being simple, repeatable, and actionable, concurrently crystallizing the conceptualizations of the future opportunity and business model.

Incongruence between the conceptualizations of future opportunity and business model, and their contextualization leads to the reconceptualization and recontextualization of the future opportunity and business model. Once congruence between the opportunity and business model conceptualization and contextualization is achieved, the opportunity and business model become realized.

6.2 Comparison with earlier research

On opportunity

Opportunity is considered a central element in the entrepreneurship research (Shane & Venkataraman 2000). However, there is no unanimity among the scholars with regard to the nature of opportunities. Current definitions of opportunity are ontologically highly polarized: Opportunity is generally perceived as either a set of external conditions, individual cognition, or social construction (Davidsson 2015). Additionally, these definitions do not reflect a fundamental characteristic of entrepreneurship: action (Corbett & Katz 2012). Viewing opportunity from the action perspective not only allows abstraction from the ontological debates but also

---

17 Here the reader may ask whether it means that these results are universally applicable within a start-up context. Conceptualization and contextualization are meta-processes allowing to account for differences in entrepreneurial circumstances and empirical realities.
allows incorporation of entrepreneurial actions into the nature of opportunities, thereby turning a theoretical concept into a practically relevant notion. From the action perspective, opportunity is potential actualized through entrepreneurial actions. By analyzing congruency or compatibility between a future opportunity’s conceptualization and external context, an entrepreneur makes the necessary adjustments. In other words, an actualized opportunity is a sum of responses towards internal and external signals. Similarly, Baron and Shane (2008: 84) argue that opportunities are “potentials that come into existence in the external world as a result of changes in the conditions of the society.” However, this view is largely associated with the ontology of the discovery view.

Additionally, extant research on entrepreneurial opportunities treats opportunity as a homogeneous concept (i.e., a concept having a uniform composition throughout). It has been defined as an idea, invention, situation, and set (Sarasvathy 2003, Eckhard & Shane 2003). Yet approaching opportunity as actualized potentiality reveals that opportunity is not homogeneous but consists of a number of different elements that are brought from the level of latency to the level of practice through entrepreneurial actions. When describing a future opportunity, entrepreneurs refer to its size, scale, and scope, among other factors. The processes of visioning, strategizing, performing, and assessing allow for selection of the suitable elements, as well as for filtering out the unnecessary ones. The above implies also that, contrary to the current research that approaches opportunity discovery or creation as a discrete event, this study emphasizes that opportunity realization is a continuous iterative process.

With regard to the sources of opportunities, there are two dominating perspectives: discovery and creation (Renko et al. 2012, Korsgaard 2013). Some scholars view them as opposing (Alvarez & Barney 2007, Eckhardt & Shane 2003, 2010, 2013, Shane & Venkataraman 2000, Shane 2000, 2003, 2012), others view them as complementary (Venkataraman et al. 2012, Renko et al. 2012, Zahra 2008). Yet Alvarez and Barney (2007) claim that ex post opportunity, as a theoretical abstraction, can always be described both in discovery or creation terms, and as a combination of those. By linking an opportunity to the empirical context (i.e. entrepreneurial actions) this study shows that in the process of actualizing opportunity potentiality into a business opportunity, several forces are at play. Some forces are at work to create stability, such as, for instance, planning, structuring, and controlling; in turn, such forces as innovation, experimentation, and initiative push towards instability. Accordingly, both the opportunity and business model develop as a result of continuous tensions between forces of stability and instability.
Coupling these forces allows responding to the yet unknown demands of the external environment and at the same time learning and experimenting with different forms of the business model. Thus, this study is congruent with an idea that opportunity is the result of multiple forces. However, it highlights that understanding of these forces is only possible within a specific context.

Similarly, even though the opportunity-related processes of effectuation, causation, and bricolage (Baker & Nelson 2005, Sarasvathy 2001) can be differentiated on the abstract theoretical level, the action perspective on opportunities illustrates that in the process of opportunity emergence these processes are closely intertwined—an entrepreneur can switch between different logics depending on the signals from the internal and external environment. For instance, customer feedback and market analysis may lead entrepreneurs to switch from causation to effectuation or bricolage action logic.

For Kirzner an entrepreneur is a “responding agency,” in other words an entrepreneur does not create opportunities herself or himself, but stays alert to the opportunities that already exist and are waiting to be discovered (Kirzner 1973: 74). Current research illustrates that, indeed, being alert is of key importance. However, for an entrepreneur it is important to be alert not to the existing opportunities but to the signals of internal and external environments, constantly searching for a fine balance between business model conceptualization and contextualization. Additionally, for Kirzner (1973) an entrepreneur does not need a firm to exploit an opportunity. Contrary to Kirzner (1973) and subsequent studies based on Kirznerian thinking, this research shows that opportunity and the business model are closely interrelated and the gestation process of both runs in parallel. In other words, only in the case of idealistic, theoretical abstraction it is possible to separate opportunity and the business model. In practice, entrepreneurs work on the future opportunity and business model concurrently, as the business model allows anchoring the potential opportunity to the entrepreneurial actions and practice. The above resonates with the idea that opportunity does not necessarily predate an entrepreneurial journey but rather accompanies it (Alvarez & Barney 2007, Klein 2008, Davidsson 2015).

In sum, by adopting an action perspective, this study moves away from the discovery-versus-creation discussion, as well as from the opportunity-related processes bringing forward an action–interaction nexus (Venkataraman et al. 2012).
**On the business model**

Extant research tends to treat business models rather idealistically as something given. Naturally, as in the “elephant metaphor,” this leads to the existence of multiple definitions of a business model. On the contrary, this study looks into the way business models are created (Demil et al. 2015). Employing the action perspective that is fundamental for a business model concept (no action—no business model) allows not only an insight into the business model creation but also provides a conceptualization of business model at a meta-level. From the action perspective, a business model is an action logic for transforming potential into a business opportunity, and at the same time is a test bed for opportunity feasibility. It allows actualizing opportunity potentiality and eventually transforming it into a business opportunity. Yet not all ideas can be grown into a business opportunity, which becomes apparent during business model creation.

Additionally, a business model does not focus on the network or firm level, as most of the extant research does, but pays attention to the level of individual entrepreneurs and their actions.

Furthermore, the current literature indicates that the main function of a business model is to exploit an opportunity (Zott & Amit 2010). This study shows that this only holds true post factum (i.e., when an organization reaches its functional stability). At the stage of the emergence of a new company, the business model supports the process of opportunity conceptualization (i.e., transforming an embryonic business idea into a developed business opportunity). In other words, it is not yet about opportunity exploitation, as an opportunity still evolves, but about opportunity conceptualization. It implies that at the start-up phase a business model and an opportunity are evolving together (i.e., both are at the state of becoming). Thus, contrary to the extant research that divorces opportunity and the business model and treats them as autonomous theoretical constructs, this study finds that opportunity and the business model are closely related and a complete understanding of either of the concepts is impossible by treating them separately.

Also, previous research focused on studying the activities of the nascent entrepreneurs (Lichtenstein et al. 2007). By focusing on specific activities this study uncovers patterns, revealing some fundamental insights into the business model creation process.

Finally, previous research agrees on the need “to endogenize contexts.” However, it falls short of explaining how to incorporate the “heterogeneous aspects of context and factoring them into future theory development and testing efforts.”
By adopting the action perspective, this research theorizes how entrepreneurs contextualize business model creation through their actions.

6.3 Business model creation from the action perspective: A conceptual model

Based on the discussion above and empirical model (see Fig. 5), a conceptual model illustrating how entrepreneurs create business models to capture opportunities is proposed (see Fig. 6). The conceptual model suggests that the process of business model creation is a continuous iteration of conceptualizing and contextualizing. Conceptualizing is associated with making choices and decisions under uncertainty, whereas contextualizing is about acting upon these choices and decisions, thereby testing their feasibility and acceptability against reality. Conceptualization triggers action as entrepreneurs try to actualize the decisions they have made. Conceptualizing and contextualizing mutually support and reinforce each other by means of feedback loops: Changes in opportunity and/or business model conceptualizations necessitate modifications in their contextualization and vice versa.¹⁸

¹⁸These results resonate with the enactment theory by Weick (1979), yet he employs the concept of enactment in a different context – sensemaking by managers and employees.
Iterations of visioning, strategizing, performing, and assessing actions enable the flow of feedback between conceptualization and contextualization. The processes of visioning, strategizing, performing, and assessing can occur sequentially, as well as run in parallel. The feedback loops allow revising previous opportunity and business model conceptualizations and adjusting their contextualization.

The loops of feedback support entrepreneurial learning, thereby reducing uncertainty and the number of options available for the future opportunity and business model configurations. Conceptualization allows translating the latent elements of the future opportunity and business model into choices and decisions. Contextualization enables mapping the external, as well as internal, environment and thereby creating relatively simple, repeatable, and actionable contexts. In other words, conceptualization enables entrepreneurs to “take the inside out” and connect it with the external context. At the same time, contextualization “brings the outside in” as entrepreneurs engage in action and reflection.

The conceptual model illustrates that both opportunity and business model creation occur in parallel. When the process commences a future opportunity and business model are still latent, with only some elements visible to an entrepreneur. These elements provide a starting point for both opportunity and business model creation. Entrepreneurial actions allow translating the latent elements of the future opportunity and business model through the conceptualization-contextualization iterations into a functional opportunity and business model. Thus, a future
opportunity and business model are inferred from the entrepreneurial actions. In other words, entrepreneurial actions allow actualizing (i.e., making real) the latent elements of opportunity and business model.

The processes of both opportunity and business model creation are difficult to locate in time: They have neither a strictly designated beginning nor ending. However, when eventually a balance between opportunity and business model conceptualization and contextualization is achieved, it can be argued that the opportunity and business model have come into existence. In other words, the latent potentiality of the future opportunity and business model have been translated into a functioning opportunity and business model.

Business model creation is a process of moving from uncertainty to certainty, from latent to real, from chaotic to simple, by iterating conceptualization and contextualization through cycles of visioning, strategizing, performing, and accessing actions. During the gestation process both a future opportunity and business model are continuously emerging (they are in the state of becoming). Thus, we can only speak of an opportunity and a business model when a satisficing balance between opportunity and business model conceptualization and contextualization is achieved.

6.4 The theoretical and methodological contribution of the study

This study explored how entrepreneurs create business models to capture opportunities and thereby it makes several theoretical contributions.

*Business model discussion as an indispensable element of the entrepreneurship research field: Linking opportunity and business model concepts*

Opportunity discussion is fundamental for the entrepreneurship literature. As discussed in the introduction, Shane and Venkataraman (2000) define the whole field of entrepreneurship through the opportunity lenses as a “scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited.” (2000: 218). Though Shane and Venkataraman (2000) mention the opportunity exploitation aspects, in fact—as the literature review on opportunity research clearly illustrated—entrepreneurship scholars in the opportunity field put all the emphasis on the process of opportunity recognition (be it discovery, creation, or a discovery-
creation combination), suppressing the exploitation aspects (Foss & Klein 2012: 19). Simply put, opportunity research tends to disconnect entrepreneurship and a firm despite the fact that a business opportunity is a central element for a company and its business model. As argued by Zott and Amit (2010), the main function of a business model is to exploit opportunities.

By adopting an action perspective, this study finds that opportunity and the business model are closely related and a complete understanding of either of the concepts is impossible by treating them separately. It conceptually links them through the process of exploration and exploitation (March 1991), thereby overcoming an artificial and misleading separation. Without linkages to the exploration and exploitation processes, a recognized opportunity can be described in any terms—be it described as discovery, creation, or discovery-creation (Alvarez & Barney 2007). The action perspective allows linking the theories of opportunity with empirical content. Thus, incorporating the business model discussion into the field of entrepreneurship not only allows an intellectual home to be found for the business model literature (Teece 2010), but also allows opportunity research to be fostered by investigating the actions of entrepreneurs, thereby answering the call by Venkataraman et al. (2012) who encourage focusing on the action–interaction nexus in order to better understand the process of new venture creation.

**Bringing action to the fore**

Essentially, entrepreneurship is about action. Shapero (1972) defines entrepreneurship as the creation of a business, Stevenson and Jarillo (1990) define it as the pursuit of opportunities, and Shane and Venkataraman (2000) define it as the discovery and exploitation of entrepreneurial opportunities. In other words, any instance of entrepreneurship begins with an action. Yet, the majority of studies on entrepreneurship tend to focus on people or firms and entrepreneurial actions enjoy dramatically less attention (Corbett & Katz 2012). For instance, in the business model research, the prevailing units of analysis are “(1) the organizations themselves and their network of exchange partners, (2) individual and collective minds and discourse, and (3) the model itself and the subject of modelling” (Massa et al. 2017: 88). In the opportunity field, entrepreneurial actions have been mostly theorized in the studies on effectuation (Sarasvathy 2003) and bricolage (Baker & Nelson 2005). By enriching the business model research with an action perspective, and approaching the concept of a business model as an entrepreneurial action, this study contributes to tackling this paradoxical situation. Focusing on action, this
study underscores the importance of entrepreneurial actions and paves the way for future studies on different aspects of entrepreneurial actions, such as actors, timing, antecedents, etc.

**Contextualization of the business model research: Interplay between conceptualization and contextualization**

Although the interrelation between opportunity, business model, and the surrounding context is admitted, to date our understanding of the contextual influences on opportunities and business models is rather limited (Shane 2012). Zahra et al. (2014) argues that further advancement in entrepreneurship research requires attention to the role of context, as it plays an important role in explaining entrepreneurial actions and their outcomes (among other roles) (Sarasvathy & Venkataraman 2011, Cabral et al. 2013, Björnskov & Foss 2013). The micro-foundations (Aldrich & Martinez 2001) of the opportunity and business model concepts tend to be overlooked without situating them in their natural setting. And controlling for the contextual variables leads to the incomplete understanding of the opportunity and business model phenomena, keeping them on the theoretical level of abstraction.

Teece (2010) argues that a business model needs to be “calibrated” to the business context/environment and its changes, thereby acknowledging the role of context. Yet, he does not open up what it means to be “calibrated.”

The current study answers the calls by Shane (2012) and Zahra et al. (2014) and approaches context as a potent force that plays a crucial role in the process of business model creation. Integrating context into the creation process allows understanding the effects of the contextual variables, thereby fostering creative and novel analysis. Paying particular attention to the role of context revealed that neither opportunity nor business model creation is a discrete event—both of them concurrently develop, mutually supporting and reinforcing each other. And it is difficult to determine when the gestation process commences and ends. This study provides a basis for further investigation of the role of context in the opportunity and business model research.

**Business model creation**

Last but not the least, this research addresses what has previously been a mostly neglected area of research (Demil et al. 2015). This study explains how
entrepreneurs create business models to capture opportunities from the action perspective, as action is perceived to be fundamental to the entrepreneurial process of business model creation. This research offers a conceptual model of business model creation from the action perspective, thereby contributing to the opportunity and business model literature and providing a deeper insight into the nature of the opportunity and business model concepts. Contrary to the previous research, this study illustrates that opportunity and business model creation run concurrently, supporting and reinforcing each other. The process of business model creation is explained as a continuous interplay between conceptualization and contextualization processes that are connected through loops of feedback. The feedback loops are explicated by visioning, strategizing, performing, and assessing. Iterations of conceptualization and contextualization processes, reflected in the entrepreneurial actions, allow for reaching a balance between internal start-up context and the external environment. Once the balance is reached, an opportunity and corresponding business model can be considered realized. Yet, due to the unstable nature of the contextual variables, the balance is continuously disrupted, requiring subsequent conceptualization-contextualization iterations.

Additionally, better insight into the process of business model creation contributes to the business model innovation literature by clarifying the difference between business model creation and transformation. According to the extant research, business model innovations (BMIs) differ at least in terms of two dimensions: the degree of novelty and the scope of the BMI (Foss & Saebi 2017). The first dimension is associated with newness to the firm or to the industry (Bock et al. 2012, Santos et al. 2009), whereas the second dimension refers to the components involved in the BMI (Foss & Saebi 2017). Some scholars perceive change in one business model component as satisficing BMI (Amit & Zott 2012, Bock et al. 2012, Santos et al. 2009), others allow for more components to be changed (Frankenberger et al. 2013). According to yet another perspective, BMI involves an entirely novel combination of all business model components and the architecture linking them (Yunus et al. 2010). A better understanding of the business model creation process allows not only clarifying the BMI’s dimensions but also differentiating between business model creation and transformation processes.

The methodological contribution

The use of research-oriented action research combined with a diary method offers a methodological contribution of this study. As was previously discussed, there is
a variety of action research types. As the name suggests, research-oriented action research puts more emphasis on incremental theory building rather than on action aimed at bringing about change in organization or community context. This is not to say that research-oriented action research is not concerned with action. This type of action research aspires to develop knowledge that produces empowerment effects and brings about inspiration for change (Winter & Munn-Giddings 2001). In turn, the diary method allows tracking entrepreneurial actions nearly in real time due to the decreased likelihood of retrospection (Bolger et al. 2003). Therefore, the suggested research design provides an opportunity to examine the business model creation process as an outcome of entrepreneurial actions.

Neither action research nor the diary method have been previously utilized in the business model research. A combination of action research and the diary method allows investigating entrepreneurial actions in their natural setting, where the problems of direct observation cannot be overcome (Zimmerman & Wieder 1977). This study highlights the compatibility of action research with entrepreneurship, and more specifically business model research, and illustrates the possibilities of combining action research with the diary method for business model and entrepreneurship studies. The combination of action research and the diary method allows the study of entrepreneurial opportunities and business models as they happen (i.e., as expressed in the entrepreneurial actions), thereby stimulating research questions that can invigorate both the study of entrepreneurial opportunities and business models (Dimov 2011).

Summarizing the above, the major theoretical contributions include (1) adopting an action perspective and linking conceptually the notion of opportunity and business model through the process of exploration and exploitation; (2) enriching the business model research with an action perspective and paving the way for future studies on different aspects of entrepreneurial actions, such as actors, timing, antecedents, etc.; (3) integrating context into the process of business model creation that allows understanding the effects of the contextual variables, thereby fostering creative and novel analysis; (4) explaining how entrepreneurs create business models to capture opportunities from the action perspective. The methodological contributions include (1) using research-oriented action research combined with a diary method; (2) illustrating the possibilities of combining action research with the diary method for business model and entrepreneurship studies.
6.5 The limitations of the study

Like any research, this study comes with certain limitations that can be divided into two groups: theoretical and methodological limitations. First, this study builds on the premise that entrepreneurial actions are important and should be the starting point in theorizing about entrepreneurship. However, not all entrepreneurship scholars share this assumption. Second, this study does not focus either on opportunities or business models but on the process of business model creation. In other words, this study explores entrepreneurial actions between the moment of idea identification and the inception of a functioning business model. Third, the four territories of experience, as a research approach, manifests itself in first-, second-, and third-person voices, thereby spanning different levels of analysis. It can be treated both as a strength and a source of limitation since it may prove to be hard to navigate among this complexity and hard to understand the relations between the constructs and applications. Fourth, visioning, strategizing, performing, and assessing may overlap with the stages from other experiential learning theories (Meyer 2003).

Methodological limitations are associated with the nature of research-oriented action research, research context, data collection, and data analysis. First, research-oriented action research presupposes that a researcher brings some foreknowledge to the situation that generates a certain bias and yields subjective interpretations. Additionally, the researcher’s engagement or participation is one of the fundamental pillars of action research. Yet, in research-oriented action research the degree of the researcher’s participation is rather limited, with an emphasis on the theory development and generating solutions from the inquiry process. However, the limited degree of participation reduces the researcher’s influence on the research process.

Another limitation concerns the specific context of the study. The empirical setting of the study is strongly connected with independently emerging start-ups. Hence, the results and conclusions do not address the spin-offs or start-ups incubating within established organizations.

Furthermore, though there are numerous benefits of the diary method, such as the immediacy of the account of events and feelings, there are certain limitations. First, the wording of the diary reflects the action perspective towards business model creation posing potential risk of measurement bias and observer effect due to conditioning of the novice entrepreneurs and entrepreneurial teams through the diary set-up. Additionally, the diary structure reflects the foreknowledge that the
researcher brings to the situation, which did not allow for much freedom in diary responses. However, in the instructions on how to complete the diary, the participants were encouraged to answer the questions as they thought was right. Second, it was difficult to keep the respondents committed and to encourage them to fill in the diary on a regular basis. Therefore, the time span between different diary entries may differ.

Similarly, coding—as a data analysis strategy—imposes some limitations. The choice of coding strategy, as well as the interpretation of data, can be viewed as subjective and predetermined by the researchers’ foreknowledge. Yet, it is an epistemological characteristic of research-oriented action research.

Also, the general limitations need to be acknowledged: the limited timeframe for data collection, the hardship of finding committed respondents, a certain level of respondent attrition, and the difficulty of managing a vast amount of data. Together with the research evaluation done in Chapter 4, understanding the research limitations contributes to the quality of the study.

6.6 Implications for further study and managerial practice

Business models form an emerging and quickly growing field of research. Yet, there are still numerous gaps and unanswered questions. This study is the first attempt to understand the process of business model creation without succumbing to any kind of sequential staging—it tried to capture and appreciate the process complexity. This research can be regarded as a stepping-stone towards a more in-depth examination of the business model creation process.

*New theoretical approaches.* This study employs the action perspective in order to understand the phenomenon of business model creation. The use of other theoretical lenses could provide additional insight into business model creation. For instance, complexity theory and system dynamic modeling allow not only the capture of process dynamics but also the identification of the factors influencing business model creation.

*New methodological approaches.* The majority of qualitative studies on business models employ case studies and interviews as research and data collection strategies. More variation in the methodological approaches, and specifically more extensive use of action research, would allow the provision of a new perspective on business model-related phenomena. Additionally, the use of multiple coding could potentially reveal new aspects of business model creation.
New contexts. This study focuses on business model creation in emergent start-ups. Follow-up studies could include research on the established companies. Also, comparative studies between the process of business model creation in the emergent start-ups and established companies can provide additional insight. Furthermore, this study develops a conceptual model of business model creation seeking to provide a more refined understanding of the process. This conceptual development alerts researchers to the possibilities for testing and validating whether the model represents a valuable tool for novice entrepreneurs to approach the process of business model creation in a coherent and holistic way. Similarly to the above, it could be done both, in the context of the emergent start-ups and established organizations.

Initially, scholarly interest in business models as a research field was associated with explosive development of electronic commerce and the advent of the Internet. Nowadays, business model studies are increasingly associated with digitalization. Yet, business model research in non-technological, as well as mature, industries is an important avenue for future research.

Additionally, the above discussion has revealed that the process of business model creation does not start with a well-developed opportunity but rather with a hunch or an idea. An idea develops into an opportunity together with the business model gestation. A better understanding of how an opportunity emerges can provide additional insights into what an opportunity actually is.

From a managerial point of view, one of the major implications is that the process of business model creation, though emergent, has its specific logic. Therefore, it can be and should be managed. This research allows novice entrepreneurs to understand the logic of business model creation in a holistic and coherent way, thereby allowing planning and foreseeing the process of business model creation.

At the beginning of the business model creation process, managers should be open to an array of potential options, both with regard to the future opportunity and business model organization. Trying to crystallize and “freeze” the elements of the future opportunity and business model right from the process inception can lead to a “horse blinkers” effect, wherein an entrepreneur shuts off potentially viable options and is not willing to explore and look around. Yet, when an entrepreneur moves from envisioning the future opportunity and business model towards choosing which options to pursue and allocating the means to implement these options, keeping a clear focus is of paramount importance. Thus, an entrepreneur
needs to find a fine balance between being a visionary and a doer with impeccable focus, and also being able to understand when it is necessary to switch modes.

Rephrasing von Moltke, no business plan survives first contact with reality. Entrepreneurial assumptions play a significant role in the process of business model creation. Entrepreneurs should recognize the importance of testing assumptions against reality and avoid taking anything for granted.

Additionally, this research allows reflecting on the process of business model creation. Specifically, entrepreneurs are able to pinpoint existing, as well as potential, challenges and devise strategies for tackling them. In other words, this study can facilitate the analysis of an emerging business model and reveal faulty choices, providing the basis for improvement and innovation.

Furthermore, the above discussion points to the importance of external and internal contexts and encourages entrepreneurs to pay due attention to the contextual variables and project their potential impact on the business model creation process. Specifically, entrepreneurs should strive to achieve congruence between internal context, external context, and business model conceptualizations.

And finally, entrepreneurs need to develop the habit of reflecting on the feedback received about their actions. Frequently, time pressure turns an entrepreneur, especially a novice entrepreneur, into a galloping horse. Yet reflection is a powerful mechanism behind learning that allows for timely adjustments to the course of actions and the business model creation process.

Summarizing the above, the whole of Chapter 6 could be approached and read as advice for entrepreneurs. Yet, in short, entrepreneurs should:

- keep in mind that business model creation is not an uncontrollable process, but a process that should be and can be planned and managed (though there is an element of uncertainty);
- be open to different options with regard to the future opportunity and business model;
- be able to recognize and reflect on own assumptions that allows devising strategies for overcoming numerous challenges in the process of business model creation;
- take into account that business model creation requires due attention to the internal and external contexts, as well as to the feedback received about their actions.
List of references


155
158


Clarke AH & Freytag PV (2011) Business model creation in networks: is there such a thing as a fresh start? 27th IMP Conference. Glasgow, UK.


Knight F (1921) Risk, uncertainty and profit. New York, August M. Kelly.


168


Tesch R (1990) Qualitative research: analysis types and software. USA, Routledge.
Appendix 1 The business model diary

WEEKLY DIARY

Thank you for agreeing to participate in the research project!
Please, take a few minutes to read the following information carefully.

INTRODUCTION TO THE RESEARCH

Research aim
The aim of the research project is to track the actions of the entrepreneur in the process of business establishment, in other words, to see how an entrepreneur creates a business model—what she or he does to get the business running.

What is a business model?
There are various understandings of what a business model is and what it includes or should include. In the present research a business model is seen to be built around a business opportunity. Business models are built to exploit business opportunities. Business models help to answer the questions what companies are offering to their customers, how and where they are planning to do that in practice, and why they think they can do it profitably.

The key elements of this business model concept, built around the business opportunity, include the following:

1) What? The offering, value proposition, customer segments, differentiation
2) How? Key operations, the basis of advantage, the mode of delivery, selling, marketing
3) Why? The basis for pricing, the way of charging, cost elements, cost drivers
4) Where? The internal or external location of the activities/items, the location of or perspective on the items (internal or external) presented concerns all the preceding items.

Glossary
What?
Offering: a product or service
**Value proposition:** a statement about why a customer should buy the offered product or service

**Customer segments:** groupings of customers based on a certain principle, for example, age, gender, spending habits, interests

**Differentiation:** distinguishing the offering from other offerings on the market so as to make it attractive to a particular customer segment

**How?**

**Key operations:** processes aimed at producing and delivering an offering to a customer

**The basis of advantage:** the unique resources (tangible and intangible) and capabilities in the firm’s possession that allow it to outperform the competitors

**The mode of delivery:** a way of supplying an offering to a customer

**Selling:** the selling method, for example, direct sales, through a distributor, auctions

**Marketing:** communicating the value of the offering to the customer (the methods a firm employs to explain to the customers why they should buy the product)

**Why?**

**The basis for pricing:** what the price of the offering depends on

**The way of charging:** fee collection methods, for example, invoicing, subscription fee

**Cost element:** the cost of an input necessary to produce and deliver the offering (material costs, energy costs, personnel cost, production costs, etc.)

**Cost driver:** any factor that causes cost changes in the cost element

**Where?**

This question is concerned with the location (within the firm or outside of the firm) of the above-described items.

**Instruction on how to fill in the diary**

Please take some minutes at the end of every other week to fill in the diary. If you would like to note down something during the week, please, feel free to do so. Please, fill in whatever you think appropriate according to the description provided above. It could be, for example, your actions, thoughts, or even feelings. Please, try to answer every question.

*The diary is confidential.*
Week: ________

Project stage (beginning/middle/final): ________________________

Start-up name: _____________________________________________

Describe your current thoughts and experiences in answering the following questions:

1. What do you think about your business opportunity?
2. What do you think you could offer to your customers in terms of the offering, value proposition, and differentiation?
3. How do you think you could do business in terms of key operations, the basis for advantage, the mode of delivery, and selling and marketing?
4. Why do you think you can do profitable business if you consider your basis for your pricing, your way of charging, your cost elements, and your cost drivers?
5. Where are the key things carried out (internally/externally) and who carries them out?
Appendix 2 Codes and categories based on the theoretical approach

Explanations of the codes:

Assumption: something that is assumed to be true
Dilemma: a situation in which one has to make a difficult choice between two courses of action
Purpose: an intention
Strategy for action: a plan of action
Disconfirming: refuting the validity of a belief or hypothesis
Learning: gaining knowledge; the modification of a behavioral tendency by experience
Motivation: commitment to do something
Orientation: adjustment to new surroundings
Appendix 3 Emerging themes
### Appendix 4 Data overview

<table>
<thead>
<tr>
<th>Case</th>
<th>Case group</th>
<th>Location</th>
<th>Business idea description</th>
<th>Diary completion period</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Printed electronics</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>B</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Software</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>C</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Software</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>D</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Phone application</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>E</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Screen technology</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>F</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Online music application</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>G</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Power generation</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>H</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Mobile platform development</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>I</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Digital platform development</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>J</td>
<td>Start-up accelerator</td>
<td>Finland</td>
<td>Cosmetics</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>A₁</td>
<td>University project</td>
<td>Finland</td>
<td>Bio-fuel production</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>B₁</td>
<td>University project</td>
<td>Finland</td>
<td>Human-based 3D cell culture systems</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>A₂</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Beer selling</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>B₂</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Clothing</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>Case</td>
<td>Case group</td>
<td>Location</td>
<td>Business idea description</td>
<td>Diary completion period</td>
<td>Respondent</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>----------</td>
<td>---------------------------</td>
<td>-------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>C2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Consultancy services by students</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>D2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Feedback collection services</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>E2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Long-term bicycle rental</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>F2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Organic food</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>G2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Personality assessment</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>H2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Greeting cards</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>I2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Magazine</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>J2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Online platform</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>K2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Advertising</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>L2</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Mobile application</td>
<td>2015-2016</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>A3</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Recreation activities</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>B3</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Bicycle GPS tracker</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>C3</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Online trading</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>Case</td>
<td>Location</td>
<td>Business idea description</td>
<td>Diary completion period</td>
<td>Respondent</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>----------------------------</td>
<td>-------------------------</td>
<td>------------</td>
<td></td>
</tr>
<tr>
<td>D3</td>
<td>Denmark</td>
<td>Organization of cultural events</td>
<td>2016-2017</td>
<td>Entrepreneur</td>
<td></td>
</tr>
<tr>
<td>E3</td>
<td>Denmark</td>
<td>Game</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>F3</td>
<td>Denmark</td>
<td>Healthcare</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>G3</td>
<td>Denmark</td>
<td>Software</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>Denmark</td>
<td>Parking services</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>I3</td>
<td>Denmark</td>
<td>Mobile application</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>J3</td>
<td>Denmark</td>
<td>Mobile application</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>K3</td>
<td>Denmark</td>
<td>Lighting</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>L3</td>
<td>Denmark</td>
<td>Online platform</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>M3</td>
<td>Denmark</td>
<td>Online platform</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>N3</td>
<td>Denmark</td>
<td>Online platform</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>O3</td>
<td>Denmark</td>
<td>Shoe accessories</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>P3</td>
<td>Denmark</td>
<td>Furniture</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
<td></td>
</tr>
<tr>
<td>Case</td>
<td>Case group</td>
<td>Location</td>
<td>Business idea description</td>
<td>Diary completion period</td>
<td>Respondent</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
<td>-----------</td>
<td>---------------------------</td>
<td>-------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Q3</td>
<td>Venture creation training</td>
<td>Denmark</td>
<td>Furniture</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>A4</td>
<td>Start-up company</td>
<td>Finland</td>
<td>Education</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
<tr>
<td>B4</td>
<td>Start-up company</td>
<td>Finland</td>
<td>Translation</td>
<td>2016-2017</td>
<td>Entrepreneurial team</td>
</tr>
</tbody>
</table>
79. Keränen, Anne (2015) Business leaders’ narratives about responsibility in leadership work
80. Ruopsa, Leena (2016) Kerrota identiteetti organisaationmuutoksen kontekstissä
82. Lehto, Irene (2016) Narratives of international opportunities in entrepreneurial selling
83. Nuutilainen, Riikka (2016) Essays on monetary opportunities in China
84. Iivari, Marika (2016) Exploring business models in ecosystemic contexts
85. Nadeem, Waqar (2016) Examining consumers’ acceptance of social commerce in clothing e-retail
86. Nykänen, Risto (2016) Emergence of an energy saving market: the rise of energy service companies
87. Wang, Fan (2016) From relational capital to venture capital: financing entrepreneurial international new ventures
88. Rantakari, Anniina (2016) Strategy as ‘dispositive’: essays on productive power and resistance in strategy-making
89. Henttu-Aho, Tiina (2016) The emerging practices of modern budgeting and the role of controller
90. Koivuranta, Matti (2017) Studies on macroeconomics and uncertainty
91. Myllykoski, Jenni (2017) Strategic change emerging in time
92. Conlin, Andrew (2017) Essays on personality traits and investor behavior
95. Haapanen, Lauri (2017) Firms’ resource allocation between R&D and marketing in their international expansion: a functional level analysis
97. Olkkonen, Eeva-Liisa (2018) Perspectives on humor in recruitment advertising on the Internet
Irina Atkova

FROM OPPORTUNITY TO BUSINESS MODEL —AN ENTREPRENEURIAL ACTION PERSPECTIVE