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EFFECT OF BUSINESS OPPORTUNITY RECOGNITION ON ENTREPRENEURS’ MARKET PERCEPTION

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To be able to act efficiently and productively on a certain market, an entrepreneur must have a perception and understanding of the driving forces and critical factors of the market. Prior research has found two business opportunity recognition manners, which are opportunity discovery and opportunity creation. Discovered opportunities are based on existing markets with an existing demand or supply. Created opportunities on the other hand are based on entrepreneurs’ own interests and the entrepreneur has to create both supply and demand for these innovations.

This study aims to add understanding on how the business opportunity recognition manner affects the entrepreneurs’ market perception. Market perceptions are studied through market elements, which describe the market from a market actor’s perspective.

As the aim of this study is to better understand a certain phenomena, a qualitative research method is used. The empirical research is conducted as a case study and the data is collected through semi-constructed interviews. There were in total eight entrepreneurs acting on an eHealth market, who were interviewed for this research.

According to the empirical results of this study, the business opportunity recognition manner does have an effect on the entrepreneurs’ market perception. For both discovery and creation entrepreneurs, the demand and supply factors are in the core of their market perception, which both entrepreneurs can identify well. In general, the discovery entrepreneurs have a better understanding on market and its driving forces compared to creation entrepreneurs, who tend to struggle with finding their place on the market.

This study helps entrepreneurs to understand how their business opportunity recognition manner affects their business. Entrepreneurs who have created their business opportunities need to accept that since they have not started their business based on an existing demand, they have to work harder to understand who their customers are and how they can serve them compared to discovery entrepreneurs. The results of this study should not be generalized unconditionally to other markets, but this study brought interesting insights to the opportunity recognition discussion.
# TABLE OF CONTENTS

1 INTRODUCTION .................................................................................................................. 7
   1.1 Background of the research ...................................................................................... 7
   1.2 Purpose of the study and research questions ......................................................... 8
   1.3 Research method ........................................................................................................ 9
   1.4 Key concepts .............................................................................................................. 10
   1.5 Structure of the research .......................................................................................... 10

2 EFFECT OF BUSINESS OPPORTUNITY RECOGNITION ON ENTREPRENEURS’ MARKET PERCEPTION ...................... 13
   2.1 Entrepreneurs and business opportunities .............................................................. 13
      2.1.1 Opportunity discovery ..................................................................................... 14
      2.1.2 Opportunity creation ....................................................................................... 15
      2.1.3 Alternative embodiments of entrepreneurs understanding .......................... 16
      2.1.4 Opportunity exploitation ............................................................................... 17
   2.2 Influencing factors in entrepreneurial process ....................................................... 17
      2.2.1 Cognitive factors .............................................................................................. 18
      2.2.2 Motivation ........................................................................................................ 19
      2.2.3 Environmental factors ...................................................................................... 20
      2.2.4 Influencing factors in business opportunity recognition .................................. 21
   2.3 Identifying a market for business opportunities ....................................................... 23
   2.4 Perspectives on market concept ................................................................................. 24
      2.4.1 Markets as trade arenas .................................................................................. 26
      2.4.2 Markets as consumer’s cognitive frames ......................................................... 26
      2.4.3 Markets as institutions ................................................................................... 28
      2.4.4 Markets as networks ....................................................................................... 29
      2.4.5 Markets as performative practices .................................................................. 31
      2.4.6 Markets as value-creating systems ................................................................. 31
FIGURES

Figure 1. Structure of the research ................................................................. 12
Figure 2. Influencing factors in entrepreneurial process modified from Shane et al. 2003. 23
Figure 3. The effect of business opportunity recognition on entrepreneurs' market perception ............................................................... 46
Figure 4. Market perception of a discovery entrepreneur ........................................ 85
Figure 5. Market perception of a creation entrepreneur ........................................... 86
Figure 6. Effect of business opportunity recognition on entrepreneur's market perception. 88
TABLES

Table 1. Perspectives on market concept modified from Diaz Ruiz (2012).......................... 24
Table 2. Market elements in market research ................................................................. 40
Table 3. Information about the interviews and transcribed data ........................................ 49
1 INTRODUCTION

This is a master’s thesis in the field of marketing on how business opportunity recognition affects entrepreneurs’ market perception. In this chapter, the background of the research is discussed and the purpose of the study is presented. After this, the used research method is presented along with the key concepts of this study. In the end of this chapter, the structure of this study is presented.

1.1 Background of the research

This study aims to add understanding on how entrepreneur’s business opportunity manner affects her understanding of the market her company acts on. Prior research has identified two business opportunity recognition manners, which are opportunity discovery and opportunity creation. In business opportunity discovery, entrepreneurs scan their environment to spot gaps on the market. Entrepreneur’s ability to spot these opportunities relies on her knowledge and experience of the market. (Alvarez & Barney 2007.) Business opportunities can also be created, which means that instead of scanning the environment, the entrepreneur starts from her own interests to create business opportunities. Created business opportunities thus arise from entrepreneur’s own skills. (Suddaby, Burton & Si 2015.) Discovery and creation entrepreneurs thus start building their business on a different ground.

To be able to act efficiently and productively on a certain market, an entrepreneur must have a perception and understanding of the driving forces and critical factors of the market, but entrepreneurs’ perceptions and interpretations of a market or an industry may vary for different reasons (Gaglio & Katz 2001). According to Storbacka & Nenonen (2011), markets are always an individual’s perception on the reality. To be able to understand the market perceptions of entrepreneurs’, markets are studied from the market element point of view. Market elements define different aspects of a market from a single market actor’s perspective (Ulkuniemi, Araujo & Tähtinen 2015) and a classification of ten market elements is built based on a broad literature review on prior market research.
In this research, the eHealth market is observed as a case study. Even though eHealth has been a hot topic in health care since the millennium (Deluca & Enmark 2000), it still lacks a common definition. According to World Health Organization (2015), eHealth refers to the transfer of health resources and health care by electronic means. According to Deluca and Enmark (2000), it covers all technologies, which help the healthcare staff in their financial and administrative transactions, help to collect, transmit and analyze patient’s health related data and support the patient’s health activities. For years, there have been discussions on how eHealth will change the health care systems in the world (Deluca & Enmark 2000) and create a new market for business opportunities. The eHealth market has a great market potential in the future and it is recognized to be the fastest growing sector in the health care industries. In 2012, it was estimated to be worth €60 billion and growing. (Iakovidis 2012.)

Yet the market is fragmented and lacks a clear structure and understanding of the future of the market. This is normal in young, nascent markets, which are business environments of early stage of formation (Aldrich & Fiol 1994), where the structures of the markets are unclear and ambiguous, which is why the actors in the market have an unclear image of the operating of the markets (Santos & Eisenhardt 2009). This often leads to a situation where different actors have different understanding of the markets, which this research aims to clarify.

1.2 Purpose of the study and research questions

The purpose of this study is to understand how the way an entrepreneur recognizes a business opportunity affects her understanding of the structure of the market her company operates on. Hence the main research question can be presented as:

*How the entrepreneur’s business opportunity recognition manner affects her perception of the market?*

To explore the research problem in a deeper manner, two helping sub-questions are used, which are:
How do entrepreneurs recognize business opportunities?

How can market elements describe a market?

The aim of the first sub question is to clarify which business opportunity recognition manners prior research has found and what things drive individuals to entrepreneurship. This sub question aims to find both the driving forces and mental schemas behind the business opportunity recognition and the different opportunity recognition manners. By answering the second sub question, the market can be understood from the market actor’s point of view. Market elements are studied based on prior market literature to create an understanding of the different elements that build a market. Based on the literature review, a theoretical framework is constructed, which is then complemented based on the findings of the empirical research.

1.3 Research method

This research is performed as a qualitative study, which aims to understand and bring an insider’s point of view to a complex phenomenon. As this research aims to add the understanding on entrepreneur’s perception of a market, qualitative research brings a subjective insider’s view to the discussion. (Ghauri & Gronhaug 2005:110.) This research will study the eHealth market with a case study method and the data is collected through semi-constructed interviews.

This thesis includes two parts. The theoretical part is constructed based on a literature review on research on entrepreneurship, business opportunity recognition and markets scholars. In the empirical part, the eHealth market is introduced and the empirical research is conducted to gain a better understanding on how the entrepreneurs perceive the market. Eight entrepreneurs acting on the eHealth market were interviewed for this research. The aim was to include entrepreneurs with different kinds of business opportunities acting on the same market to have a broader understanding on the ways entrepreneurs understand the market concept.
1.4 Key concepts

*Business opportunities* are ways to innovate how to make profits or improve the state of affairs of a person or a company (Chandra, Styles & Wilkinson 2009). Business opportunities generate the potential of wealth for their recognizer, which may or may not be realized (Alvarez, Barney & Anderson 2013).

*EHealth* is the use of information and communication technologies (ICT) for health purposes (WHO 2015). It can be divided into three sub categories, which are business eHealth, clinical eHealth and consumer eHealth. Business eHealth refers to applications that concern the financial and administrative transactions, which are necessary to conduct the daily operations in health care. Clinical eHealth include the transactions that can collect, transmit and analyze individual’s health related data. Eventually, consumer eHealth combines these two and include technologies that support the consumer’s health activities. (Deluca and Enmark 2000.)

*Entrepreneur* is an economic actor, who seeks to recognize and exploit business opportunities aiming to create wealth. Entrepreneur’s ability to do so depends on many factors like their good fortune, their own skills and abilities. (Alvarez et al. 2013.)

1.5 Structure of the research

As presented on the figure 1, this research includes five parts. In the beginning of the research, there is an introduction to the research, which includes the background, purpose and research design of this study. Introduction also includes a description of the research method and the key concepts of this study. In the next chapter, a theoretical framework of entrepreneur’s perception of the market is built based on literature review on prior research. In the beginning, entrepreneur and business opportunities are discussed along with the manners of business opportunity recognition. Next, the research describes the influencing factors in entrepreneurial process. Market element classification is built based on the prior market concept research. In the end of the chapter, the theoretical framework sums up the findings of this chapter.
In chapter 3, the research methodology is discussed along with the description of the data gathering of the empirical part. In chapter 4, the empirical research is conducted and the results of the study are analyzed. In the end of this research, conclusions of this study are presented along with the theoretical and managerial contributions. Eventually, the reliability and validity of this study are evaluated and there are some suggestions for future research on the matter.
<table>
<thead>
<tr>
<th>1. Introduction</th>
<th>Background, purpose and research design of this research</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Effect of business opportunity recognition on entrepreneurs' market perception</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurs and business opportunities</td>
<td></td>
</tr>
<tr>
<td>Business opportunity recognition</td>
<td></td>
</tr>
<tr>
<td>Opportunity discovery</td>
<td>Opportunity creation</td>
</tr>
<tr>
<td>Influencing factors in entrepreneurial process</td>
<td></td>
</tr>
<tr>
<td>Cognitive factors</td>
<td>Motivational factors</td>
</tr>
<tr>
<td>Environmental factors</td>
<td></td>
</tr>
<tr>
<td>Perspectives on market concept</td>
<td></td>
</tr>
<tr>
<td>Market elements</td>
<td></td>
</tr>
<tr>
<td>Theoretical framework of entrepreneur’s market perception</td>
<td></td>
</tr>
<tr>
<td>3. Research methodology</td>
<td>Description of the methodological choices and research process</td>
</tr>
<tr>
<td>4. Empirical research</td>
<td>Findings and discussion of the empirical research. Revised framework of entrepreneur’s market perception.</td>
</tr>
<tr>
<td>5. Conclusions</td>
<td>Summary of the study and answers to research questions. Limitations of the study and suggestions for future research.</td>
</tr>
</tbody>
</table>

Figure 1. Structure of the research
2 EFFECT OF BUSINESS OPPORTUNITY RECOGNITION ON ENTREPRENEURS’ MARKET PERCEPTION

In the beginning of this chapter, business opportunity recognition manners are discussed along with the influencing factors on the entrepreneurial process. Next, market element categorization is built based on a broad literature review on different market research scholars. In the end of this chapter, a framework of the effect of business opportunity recognition on entrepreneurs’ market perception is built based on the matters discussed in this chapter.

2.1 Entrepreneurs and business opportunities

According to Alvarez et al. (2013), an entrepreneur is an economic actor, who seeks to exploit opportunities, which aim to create wealth. In other words, to have entrepreneurship, entrepreneurs must recognize the existence and value of a business opportunity to eventually gain profit from it (Shane & Venkataraman 2000). Entrepreneurship is therefore not a state of mind or a spiritual experience; it is the result of recognizing an opportunity and the decision of exploiting it.

Recognition, perception and pursuit of opportunities are influenced by the evolution of the related industry. Research has shown that the basic characteristics of an industry shape not only the extent and kind of entrepreneurial opportunities, but also their change during time. As an industry develops, it leads to new business opportunities and new entrepreneurs, who are able to pursue these opportunities. The extent and nature of the opportunities in an industry also depend on the fundamental technologies and economic characteristics of the industry. Dynamic, open-ended market processes constantly create new entrepreneurial opportunities. (Buenstorf 2007.)

Individuals may intentionally create business opportunities, but often opportunities are unintended results of activities that aimed to another result. The controversy on entrepreneurial opportunities is about whether the opportunity is exogenous or endogenous to entrepreneur’s own activity. (Buenstorf 2007.) Business opportunity recognition is part of an entrepreneurial process, which occurs when an individual
decides to pursue a business opportunity. It includes the business opportunity recognition, idea development and the execution of the opportunity. (Shane et al. 2003.) Therefore, to be an entrepreneur, one must not only recognize an opportunity but to pursue it and start a business based on the opportunity.

Research has found two manners of business opportunity recognition, which are opportunity discovery and opportunity creation. Both of these theories aim to explain the same phenomena, but they generate different predictions on how entrepreneurial actions affect entrepreneur’s ability to recognize business opportunities. (Alvarez & Barney 2007.)

2.1.1 Opportunity discovery

Scholars’ dominant view of entrepreneurship is that the entrepreneurs discover business opportunities. In this view, the opportunities are seen to arise exogenously from the environment. Changes in the technologies, changes in consumer preferences and many other factors can create discovery opportunities (Alvarez & Barney 2007), meaning that opportunities exist even if there are no economic actors who are aware of them (Alvarez et al. 2013). According to discovery theory, entrepreneurs systematically scan their environment to spot these opportunities to produce new services or products (Alvarez & Barney 2007). In other words, if either demand or supply factors are present in a specific market prior to the entrepreneurial venture, the activity is characterized as opportunity discovery (Buenstorf 2007).

The exploitation of discovery opportunities often relies on the individuals with knowledge about industry, market and products, since these opportunities often have their trigger in pre-existing industries. Thus in this context, entrepreneurs are able to know what kind of skills they might need in exploiting an opportunity. (Alvarez & Barney 2007.) This is why the entrepreneurs often have a somewhat clear idea of the possible outcomes of exploring a discovery opportunity (Alvarez et al 2013). In this context, it is possible to evaluate company’s strategy, make assumptions of the needed financing and other implications, evaluate the market and estimate potential return of the opportunity, which makes it also possible to get funding from outside e.g. from venture capitalists or banks. (Alvarez & Barney 2007.)
The core assumption in this context is that the entrepreneurial opportunities exist in the environment in an objective sense and hence much of the research in this field focuses on identifying unique characteristics and elements of an entrepreneur which give them the ability to see opportunities that most people overlook (Suddaby et al. 2015). Entrepreneurs are hence seen to build their cognitive capital in markets and industries, which gives them the competence to spot opportunities that those unfamiliar with the market and industry are unable to recognize. In a way, opportunities are seen to silently exist on the market prior to entrepreneurial action, waiting to be recognized and pursued.

2.1.2 Opportunity creation

According to Alvarez & Barney (2007), the alternative view on opportunity recognition is that entrepreneurial opportunities do not exist in an objective way prior to the awareness of an entrepreneur, but the opportunities are created in a social context. Instead of environment scanning and searching, entrepreneurs act and observe the responses of the consumers and markets. The trigger to create opportunities do not necessarily lie on existing industries and markets, which is why while innovating products or services, the entrepreneur might have to simultaneously create consumer acceptance to these innovations. Thus in this context, the entrepreneurial opportunities are not determined and evaluated exogenously by the environment, but rather endogenously by the entrepreneur’s imagination and social skills. (Suddaby et al. 2015.)

Alvarez and Barney (2007) found in their research that entrepreneurs saw it important to hire a team of employees, who had broad human capital and who were flexible to changes. This was due to the fact that entrepreneurs’ original idea of the nature and scope of an innovation were often not justified and they were forced to reconsider the idea during the process and have other aspects on it to take the innovation further. For example, it is often impossible to foresee the opportunity costs of an innovation. This is why entrepreneurs prefer to talk about acceptable losses instead of opportunity costs. Acceptable losses refer to both economic and personal value that entrepreneurs are willing to lose, if their activities do not eventually lead to actual business opportunities.
As opposite to opportunity discovery, in this context entrepreneurs themselves seldom have a clear view of the future of an innovation and they might even find traditional strategic planning harmful and restricting during an opportunity creation process. Thus entrepreneurs often are unable to explain the nature of these opportunities to an outside capital source, which makes it hard or even impossible to find outside funding. This is why bootstrap financing is likely to be more common during opportunity creation process. (Alvarez & Barney 2007.) Bootstrap financing refers to alternative financing techniques that can be used when company is unable to access traditional sources of capital e.g. credit cards, leasing, delaying payments and sharing equipment or employees with other companies (Carter & Van Auken 2005).

Hence, in opportunity creation context the focus is not on entrepreneur’s personal characteristics and abilities, but rather on the organization’s overall capability to make a product or service interesting to consumers. Opportunity creation entrepreneurs are able to see business opportunities in human behavior as innovations that can be pushed to markets for consumers to implement in their lives. Thus, entrepreneurs do not necessarily base these opportunities on existing markets and industries, but are able to change entire industries with their action.

2.1.3 Alternative embodiments of entrepreneurs understanding

In their research, Alvarez and Barney (2007) argue, that it is always eventually possible to interpret recognition of an opportunity as either opportunity discovery or creation. The separation between these two aspects actually happens in the mind of the entrepreneur, who knows the genuine driver of the business opportunity. The understanding of the opportunity recognition manner is eventually an embodiment of the entrepreneur’s understanding of the context in which the opportunity is recognized. In this sense, the opportunity recognition context is not to be decided by the theorists but the entrepreneurs themselves. So, instead of arguing which theory is better and right, it is more beneficial to see, what these theories bring to the discussion.
2.1.4 Opportunity exploitation

Business opportunities can be exploited by creating a new company around the opportunity or selling it to existing companies. The characteristics of the business opportunity itself affect the entrepreneur’s willingness to exploit it. On average, entrepreneurs tend to exploit those opportunities that have a higher potential value. (Shane & Venkataraman 2000.)

So in a way, opportunity exploration and entrepreneurship draw on modern understanding of risk and rationality. Entrepreneurs can reduce the risk of their business opportunity exploitation by weighing the possible future scenarios of the opportunity to understand what affects the consumer acceptance of their innovations. The only unknown element in opportunity exploitation is the eventual state, which was one of a finite set of possible outcomes. Prior knowledge in similar domain can make it possible to entrepreneur to better understand the outcomes and their probabilities. Yet, both opportunity discovery and creation require action, not just decision making. (Miller 2007.) Entrepreneurs can thus make the decision of pushing their innovations to the markets but the consumers are the ones who have the power to decide on the future of these innovations.

2.2 Influencing factors in entrepreneurial process

Prior research on entrepreneurship has tried to find answers to the dilemma of why not all individuals recognize entrepreneurial opportunities and especially, why they do not seize the opportunities (Carter, Gartner, Shaver & Gatewood 2003). There has been a debate over the factors, which drive people into entrepreneurship. New ventures ultimately show how the world is represented in the mind of an entrepreneur, which is why it is important to understand the motivation and the orienting dispositions behind the business opportunity (Shaver & Scott 1991).

In their research, Shane et al. (2003) discussed factors that affect the individual’s business opportunity recognition and thus the whole entrepreneurial process. All human actions are a consequence of cognitive factors and motivation (Locke 2000), but also external business environment affects the business opportunity recognition,
as well as does the opportunity itself; opportunities pursue a different economic value, which affects the willingness of an entrepreneur to actualize the opportunity (Shane & Venkatamaran 2000; Shane et al. 2003). In the following chapters, the factors affecting the entrepreneurial process are discussed to better understand the context where entrepreneurs recognize and exploit business opportunities.

2.2.1 Cognitive factors

In psychology, cognition deals with the questions “what is?” and “what do I know, including what do I know how to do?” (Locke 2000). Individuals possess large stocks of information, both conscious and unconscious, and together these stocks of information create the schemas, mental models, which provide a framework through which an individual can recognize new information e.g. entrepreneurial opportunities (Shane & Venkatamaran 2000).

There has been lot of research about the cognitive factors on entrepreneurial process and it is seen to be crucial to understand them in the entrepreneurial process. Still it is obvious, that it is impossible and also unnecessary to fully understand the mind of an entrepreneur, but things like education and professional background do have an effect on the way an individual perceives a business opportunity. Prior research has proved that when business opportunity was recognized from a related industry, entrepreneurs had a better understanding of the market and its ways of working (Alvarez & Barney 2007) as well as that ex-employees of an industry were particularly successful in creating spin-off opportunities on same or similar industries (Buenstorf 2007). Benner and Tripsas (2012) have studied the nascent digital camera markets and in their research, they found that individuals with similar experiences and ongoing interactions often have very similar mindsets and understanding of affairs. This also applied in the company level; companies from the same industry found same features important in new products and shared the understanding of the customer preferences. Also, prior research has found that individuals with pre-existing entrepreneurial experiences have important knowledge gained during the entrepreneurial process and they can later use this information and build on it in the future (Gruber, MacMillan & Thompson 2008).
Cognitive theories have also been used when trying to offer an explanation to the hot topic of entrepreneurship: the concept of risk-taking and how entrepreneurs perceive it. Finding a new business always involves a risk, but people vary in how they perceive risk (Palich & Bagby 1995). Some studies claim that entrepreneurs are constitutionally more willing to take risk and are thus more optimistic and or have higher self-efficacy than non-entrepreneurs (Shane et al. 2003). But according to cognitive theories, there is another reason behind it; maybe entrepreneurs do not think the risk in statistical terms (Shaver & Scott 1991). As stated before, risk can be seen as the probability of different outcomes and those entrepreneurs, who do not see their business as risky are just more confident of understanding the possible outcomes of exploiting the business opportunity and its effects on their lives and the company. Thus, the perception of risk is not a built-in characteristic in entrepreneurs but it can be a learned cognitive factor that makes them more optimistic about their entrepreneurial opportunities.

So it can be stated that cognitive factors, e.g. the knowledge, skills and abilities an individual has possessed during one’s life (Shane et al. 2003), do matter and have an impact on the business opportunity recognition. Cognitive factors are gained through active information processing, thinking, as well as from the feedback from others either intentionally (e.g. through education) or unintentionally (e.g. in social contexts) (Locke 2000).

2.2.2 Motivation

As cognition answers to the question “what is”, motivation answers to “what is the significance or importance of it”. Motivation includes one’s needs, values, goals and emotions and it affects one’s action in three ways. First, it affects the affairs one chooses to act on. It guides one’s attention to those issues that are important to her from less important actions. Also, motives influence the intensity of doing things, so that one puts more effort and energy to entail an important goal compared to less important goals. Third, it affects the persistence of actions, meaning how long one wants to pay attention to the action. (Locke 2000.)
Different things motivate people and motivational differences also influence the opportunity recognition. For example, one can be motivated by the need to achieve something, locus of control (i.e. the belief that one’s action affect different outcomes), self-efficacy (i.e. task-specific self-confidence that one has certain knowledge and resources to achieve a goal), need for independence, drive of doing things (i.e. the willingness to put effort into something to reach a goal) or even simply by love for something. (Shane et al. 2003.) Prior entrepreneurial research has noticed that individuals start a business for similar reasons than why non-entrepreneurs choose jobs in general; to gain financial success, innovation, self-realization etc. (Cartner et al. 2003). Therefore motivation can be seen as a factor that guides entrepreneurs to things they find important to themselves. What the original motivator ultimately was is not necessarily important, but it affects the intensity in which an entrepreneur acts to recognize and pursuit business opportunities. If entrepreneur lacks motivation, the cognitive factors do not alone push her to exploit opportunities.

2.2.3 Environmental factors

Entrepreneurship is not only a result of human actions; there are external factors that also affect the outcomes. External environment is something the entrepreneur cannot directly change or affect in a short term. For example, the status of the economy, stability of the currency, the availability of funding and the political stability also have an effect on the business opportunities. (Shane et al. 2003.)

Studies of psychology have found that since the rationality of an individual is limited, the immediate social context is very important to us in whatever we do (Shaver & Scott 1991). We have a natural need to share our thoughts and views and hear what others think of them. Although prior research has found that often entrepreneurs were less influenced by external validation from their close ones or the examples of others than by their own mindsets (Cartner et el. 2003), but still the effect of external factors should not be underestimated during the business opportunity recognition process. The business environment can also affect the motivation and the cognitive factors of an entrepreneur.
Therefore it can be stated that the entrepreneurial process, which includes opportunity recognition and opportunity exploitation, is affected by the entrepreneurial opportunity itself, the external environmental factors and the internal, personal factors, which include the motivation of the entrepreneur and her cognitive factors. Cognitive factors i.e. the knowledge, skills and abilities of an entrepreneur affect her understanding and ability to recognize business opportunities and the potential of the opportunity to create wealth affect the entrepreneur’s willingness to exploit it. Entrepreneur’s motivation guides her attention to things that are most important to her and affect the intensity of action. And finally, environmental factors e.g. the acceptance of the close ones and consumers affect the entrepreneur’s willingness to exploit the opportunity as well as the future of the opportunity.

2.2.4 Influencing factors in business opportunity recognition

Figure 2 presents the influencing factors in business opportunity recognition. The environmental factors refer to the large environment, where business opportunities are recognized. It includes things as the state of the economy, the currency issues and political conditions (Shane et al. 2003). Environment affects all other factors of business opportunity recognition, which are the cognitive and motivational factors and the business opportunity itself. Environmental factors can be either encouraging or discouraging, depending on how the entrepreneur’s own perception.

Cognitive factors in figure 2 refer to the entrepreneur’s skills, abilities and knowledge, which she has gained during her life and which affect the entrepreneur’s ability to recognize business opportunities (Shane & Venkatamaran 2000). These can be intentionally or unintentionally gained and the entrepreneur can be conscious or unconscious about them. Education and knowledge about a certain industry due to work experience can be examples of cognitive factors, which affect the business opportunity recognition.

Motivational factors refer to the driving forces, which push the entrepreneur to recognizing business opportunities. Motivation is always an individual’s own perception of those things that encourage her to doing things. It has an impact on the
things one chooses to be interesting, the intensity of doing and also the persistence of action (Locke 2000).

Business opportunity itself affects the entrepreneur’s willingness to exploit the opportunity, since entrepreneurs are known to pursue the opportunities that have the greatest potential to create wealth. Therefore individuals do not necessarily exploit all opportunities they recognize, but yet to become an entrepreneur, one must exploit the opportunity and to start a business. (Shane & Venkatamaran 2000.)

Opportunity discovery and opportunity creation are the two ways in which entrepreneurs can recognize business opportunities. Opportunity discovery refers to the recognition manner, where opportunities arise from changes in industries or markets. Entrepreneurs who have experience about the industry spot these opportunities and are able to see them because they have cognitive skills that others do not necessarily have. Opportunity creation starts from entrepreneur’s own interests and not from existing markets. For example, an entrepreneur can have a passion to a certain issue and decides to use the opportunity to create a business. (Alvarez & Barney 2007.) Environmental, cognitive and motivational factors together with the business opportunity itself affect the circumstances in which the entrepreneur recognize opportunities, which can happen either as opportunity discovery or opportunity creation.
Figure 2. Influencing factors in entrepreneurial process modified from Shane et al. 2003

### 2.3 Identifying a market for business opportunities

Whether the opportunity is discovered or created, to be able to exploit value from an innovation the entrepreneur must first identify at least one market domain in which the innovation meets consumer demand. Choosing a market domain is one of the most important decisions made in an early stage of a company (Gruber et al. 2008), since it will affect its identity, the skills and expertise needed to be competitive in the market as well as the organizational structure. Another reason why defining a market is important, is that market boundaries can be a major source of innovation. Successful radical innovations often arise from identifying a new customer whose needs are not fulfilled. When the market and its future are defined creatively, firms can often see new opportunities for innovations. (Geroski 1998.)

A market exists when someone can dream a customer need and when a company can fill this need through production and trade. When the market has been chosen, the company has identified who it is serving and how, which is always done for a reason. (Geroski 1998.) If markets are seen this way as socially constructed mindsets, they do not exist in an objective way. Markets are what the market actors want them to be. (Storbacka & Nenonen 2011.)

They can be either seen as existing and developing or young and nascent. Nascent markets appear in emerging organizational fields (Aldrich & Fiol 1994), where the environment is ambiguous and uncertain with no common comprehension of the structure of the market (Benner & Tripsas 2012) and the actors have to actively try to make sense of what is happening on the market (Rindova, Ferrier & Wiltbank 2010). Nascent markets should not be confused with emerging markets, which are countries trying to change and improve their economies and aiming to raise their performance into the level of more developed countries (Mishra 2007). The structure of existing market is simpler and more predictable from the point of view of a market actor and there is more competition compared to nascent markets (Rindova et al. 2010).
To be able to better understand the market perceptions of the entrepreneurs acting on any market, markets can be observed through their perception of market elements, which describe different aspects of the functioning of a market from a single market actor’s perspective (Ulkuniemi et al. 2015). In recent market research, market elements have mainly been studied from shaping the point of view of e.g. a buyer, who aims to shape the elements through their actions (Ulkuniemi et al. 2015) or an actor, who aims to shape the market through market propositions (Nenonen & Storbacka, 2010). In the following chapter, a framework of market elements is built to clarify what constructs a market without making any assumptions of the regularities of the market. This is done based on a literature review on prior research on the market concept.

2.4 Perspectives on market concept

Diaz Ruiz (2012) has studied the development of market concept in market research literature. He found out that researches tend to see markets from a certain perspective, which is why the literature perceives markets in different ways. Individuals perceive and therefore define markets in different ways to intellectually organize the ways one thinks about the economic activity observed (Geroski 1998). Thus, there is no one way to define a market and what it consists, which has led to several different views of the concept and researches thus often tend to study markets from one perspective.

In his research, Diaz Ruiz (2012) found six market categories from the literature presented in table 1, which discuss markets as 1) trade arenas, 2) consumers’ cognitive frames, 3) fields, 4) networks, 5) performative practices and 6) value-creating systems. In the following, the prior market perceptions are reviewed closer based on this classification to find the market elements that arise from the market literature to create a generic market element classification.

<table>
<thead>
<tr>
<th>Markets as…</th>
<th>Research tradition</th>
<th>Main themes</th>
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<tr>
<td>Trade arenas</td>
<td>Neoclassical Economics</td>
<td>Price uniformity</td>
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<td>General equilibrium theory</td>
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| Consumers' cognitive frames | Marketing Management School | Customer orientation  
Potential demand  
Customer needs and wants |
|-----------------------------|-----------------------------|--------------------------------------------------|
| Consumer Culture            |                             | Social construction of markets  
Cognitive frames  
Sign systems |
| Fields                      | (New) Institutional Economics | Institutions  
Rules and conventions  
Constraints |
| Sociology of Markets: Field analysis |                             | Structures for collective action  
Isomorphism |
| Networks                    | IMP                         | Business networks  
Relationships |
| Sociology of Markets: Network analysis |                             | Embeddedness of collective action in markets |
| Performative practices      | Sociology of Markets: Performativity | Performativity (i.e. Practices that shape markets)  
Markets as outcomes  
Calculative agencies |
| Value-creating systems      | Service Logic                | Value constellations  
Configurations |
|                            | Service-Dominant logic       | Service systems  
Co-creation of value |
|                            | Marketing Systems School, Macromarketing | Exchange systems  
Provision systems |
2.4.1 Markets as trade arenas

Adam Smith’s book *The Wealth of Nations* from the year 1776 is often seen as the start of neoclassical economics. In his book, he sees markets as a platform where exchange happens. The extent of the market, i.e. the demand affects what needs to be produced and hence also how individuals can specialize to different tasks. For example, the workers in the countryside have to have broader capabilities than those in cities, where the market is bigger and the demand is larger. (1964: 17-18.)

So actually in Smith’s book, markets are seen as demand and supply. When these two meet, markets are in equilibrium. When supply does not meet demand and one is larger than the other, this has an effect on the price of the product and the producer automatically gains or loses. For example, when there is too much supply, the price falls until the demand again meets supply and the markets are in equilibrium. In Smith’s opinion, markets always aim to equilibrium, and after any kind of shock in the market the price is the adaptive element, which changes until supply again meets demand (1964: 381). This happens both with production of goods as well as labor. People eventually choose their occupation so that it is the most beneficial to them and therefore also to the society. (1964: 398.)

In Smith’s view, the markets form themselves and an individual has no effect on the three elements of the market: supply, demand and price. Markets are therefore lead by “an invisible hand”. For certain goods, there is a given demand and the price adapts until the markets are stable.

2.4.2 Markets as consumer’s cognitive frames

Marketing management brought a new wave to marketing in the 1960’s and 1970’s. It was understood that supply of products can be managed and there was no longer an invisible hand of the markets that regulated market supply and demand. According to Kotler (1973), marketing management is about regulating the level, timing and character of demand of a product or several products of a company, which is done by analyzing, planning, implementing and controlling of managers; demand management. In his research he had identified 8 different kinds of demand a product
faces from negative demand to unwholesome demand. The company has to identify, what is the demand of the product i.e. how customers feel about the product and how willing they are to buy it. Only after this can a company act accordingly to manage the demand.

Another major change in marketing was that there was no longer one large market but the market can be divided to subgroups of customers, which were called market segments or target markets. Products then can be marketed accordingly to the needs and wants of these target markets. Segmentation was seen as a crucial market strategy for companies, since different customer groups had different expectations of products. Therefore companies should think about their markets according to different customer groups, which could be divided according to geographic, demographic, psychological, psychographic or behavioral aspects. (Tynan & Drayton 1987.)

After defining the demand and the target markets, companies could create value to their customers through the marketing mix elements; price, place, product and promotion. Superior companies understand their customers the best and are able to meet and allocate their resources accordingly to the target market’s expectations. Markets were seen as the customer who the company wanted and had to serve. (Tadajewski & Jones 2014.)

Later, researchers got interested in the cultural aspects that the consumers have created to their consumption of goods. Consumer culture theory (CCT) aims to understand the relations between marketplaces, consumer actions and the cultural meanings behind the consumption. (Arnould & Thompson 2005.) According to it, markets are shaped by the values and meanings that marketers and consumers co-produce to the products (Peñaloza & Venkatesh 2006). The CCT researchers have split on the idea of who is the culture creator; are the marketers creating the culture that the customers bear or are the customers creating cultural meanings to the products and services they buy and the marketers are following their expectations (Arnould & Thompson 2005). Either way, customers were no longer buying for their needs but consuming could be seen as a statement of individual’s values, interests, way of life etc.
2.4.3 Markets as institutions

According to Loasby (2000), people tend to make representation on things that are too large and complex to understand. This leads to use of rules and conventions, which help people to solve problems. Institutionalists focus on market rules, power and norms contextualize the cognition and action on a specific market. Markets are therefore social spaces where exchange happens between buyers and sellers under a set of both formal and informal rules, which affect the relations between competitors, suppliers and customers. Governments, laws and cultural norms support the activities, which together create the set of rules, which e.g. guide the interaction on the market, define what products are produced and provide stability for the actors. (Fliqstein & Dauter 2007.) Each new business is built on the institutions of the society within which it operates. Company itself forms these rules through interaction with other actors and conscious decisions and aligns them with the activities of its suppliers and customers. Of course, not all companies succeed in setting their institutions, which leads to disappearance of some companies. (Loasby 2000.)

In this sense, market is working well if it enables large numbers of transactions at a lower cost than without the market existing. Markets exist basically to reduce transaction costs. To do this, market actors tend to use similar possibilities and procedures, which also makes it easier to change ideas in the market. When enough actors find these institutional arrangements useful, others naturally try to mimic them. (Loasby 2000.)

This process that pushes one actor to resemble other actors under the same environmental conditions is called isomorphism. In their research, DiMaggio and Powell (1983) found three mechanisms, which lead to isomorphism. Coercive isomorphism traces to political influences and legislation, which forces companies to similar actions, mimetic isomorphism results from companies’ responses to uncertainties in the market and normative isomorphism is associated with professionalization. Institutions do not only clarify the action on the market, they also give people confidence (Loasby 2000).
According to DiMaggio and Powell (1983), organizations tend to model themselves after similar companies on the same field that are more successful in the market. When more companies eventually work under the same institutional rules, it helps all actors in the market. Not only transaction and innovation costs can be shared, but it also leads to larger returns for the companies as the market enlarges. (Loasby 2000.) On the other hand, this often leads to a situation that in the long run, a company has built an environment around itself that restricts its ability to change in the future (DiMaggio & Powell 1983).

2.4.4 Markets as networks

Markets can also be seen as social processes where actors are rarely isolated from each other (Diaz Ruiz 2012). Businesses operate in environments, which include number of identifiable organizations (Håkansson & Snehota 2006). Markets can be examined through its actors, their actions (Ulkuniemi, et al. 2015) and social entities they create, which are connected by a set of ties or relationships (Simmons, Palmer, Truong 2012). Market actors can be divided into buyers, sellers and other market actors. Intermediary is seen as a certain type of seller and markets can have other actors facilitating the market transactions can be governments, universities, standardization bodies etc. (Ulkuniemi, et al. 2015). Market actors are involved with each other on a daily basis in social relationships, which are based on trust, friendship, power and dependence (Fligstein & Dauter 2007).

Networks start from interdependent ties between companies, which evolve when the number of ties increases between companies. The portfolios, which are the sets of actors a company is tied to through business relations, do not evolve by themselves. Companies continuously adjust the portfolios by changing the actors they work with as well as the networks in which they operate. (Ozcan & Eisehardt 2009.) Thus, what is included in a particular network is a perception of a certain actor, which can change over time (Ulkuniemi, et al. 2015).

Each company has its own reasons to build relationships with certain companies (Håkansson & Snehota 2006). Many diverse ties are valuable to a company because they create multiple sources of information and access to numerous types of
resources (Ozcan & Eisehardt 2009). This is why it is not important what distinct capabilities a company has. What is important, are the resources and capabilities it can access through its relations with others. This way a company’s identity is created in interaction with its partners and it is hard to disconnect an organization from its network. A company without its environment loses its identity. (Håkansson & Snehota 2006.)

According to Granovetter (2005), networks have their own norms that are shared ideas on how actors should work in the network. In a dense network, norms are easier to establish among actors. He also argues, that density makes networks more creative, since the ties among actors are more unique and the paths through which information, ideas and influence can travel between actors. On the other hand, not only close business relationships are the ones that make the most importance. More novel information tends to be passed in weaker business relations, especially between companies that are not necessarily even part of the same networks or business fields. Granovetter (2005) compares business relations to personal relationships. Closer friends usually have same friends as we do and they tend to live in the same circles. Acquaintances tend to receive more novel information since they are from different circles. Also in a company level, when moving to different circles, you can connect a wider world. There are more weak ties than strong ties in a business network, and they can also make more difference than the strong ones.

In the network perspective, value is no longer created inside company boundaries but in co-creation with other actors of the network (Nenonen & Storbacka 2010). To understand how companies aim to create value, the concept of business models have been widely researched. Storbacka and Nenonen (2011) define business models as a plan of “how the company aims to serve its customers, interact with other actors in the market network and generate profit from its operations”. A company with a compatible business models can affect other companies’ business models (Nenonen & Storbacka 2010).
2.4.5 Markets as performative practices

Callon and Muniesa (2005) argue, that markets are collective arrangements that allow companies and individuals to make compromises of the nature of the goods produced and the value they bring to customers. Markets are continuously reformed by market practices, which are defined as all the practices that contribute to creation of a market and performed by the actors on the markets. (Callon & Muniesa 2005; Kjellberg & Helgesson 2006; Diaz Ruiz 2012.)

Market practices can be divided into three categories, which are exchange practices, normalizing practices and representational practices. Exchange practices are those concrete actions that include actors exchanging goods or services. Normalizing practices refer to those actions, which aim to establishing normative objectives for the actors and the market. Representational practices represent the way exchange is done in the markets i.e. how the market works. (Kjellberg & Helgesson 2006.)

Markets are complex and constantly changing entities, which is why individuals create theories on the markets that make them easier to understand. These theories guide the action of the individuals and eventually change the reality in the markets. There is always a difference between the real markets and the markets in the theories. (Callon & Muniesa 2005.) Markets function through individual economic actions, which are seen as a result of calculative processes (Fligstein & Dauter 2007). Calculation refers to processes where an actor establishes distinctions between different aspects of the world and considers the different possibilities and outcomes of actions that refer to those aspects (Callon & Muniesa 2005). Thus, it is thought that all the actions in the market are deeply considered and actors are aware of the possible outcomes of their actions.

2.4.6 Markets as value-creating systems

According to Bagozzi (1974), individuals do exchange in a way that maximizes their rewards and minimizes the costs i.e. people aim to gain the maximum value through exchange. In his research, Bagozzi discusses markets through the concept of exchange system, which is a set of social actors who have relationships with each
other and those exogenous and endogenous variables of the actors, which influence
the behavior of those actors in their relationships. These variables affect the reasons
why actors do exchange and what they try to gain from it. Not all companies do
exchange for mutual benefit, but sometimes exchange can cause no effect or even an
injury to the other actor. Bagozzi recognizes three types of exchange, which are
utilitarian, symbolic and mixed exchange. In utilitarian exchange, actors exchange
goods to money or other goods and in symbolic exchange, actors change
psychological, social or other intangible entities with each other. Mixed exchange is
a combination of these two and includes both utilitarian and symbolic aspects, which
can be hard to separate from each other.

Layton (2007) adds network perspective to Bagozzi’s (1974) view and he names it a
marketing system. Marketing system is thus a network of individuals who are linked
to each other directly or indirectly who together aim to answer to customer demand
by making assortments of products available. The marketing system works in an
environment, which are often hard to separate from each other. Networked
exchanged systems are created, when individual actors realize the benefits that the
cooperation brings.

Vargo, Maglio and Akaka (2008) use a similar approach to markets when they talk
about service systems, but they add to discussion also the value that the customer
perceives from the cooperation of the network. Service system co-creates value by
using its own resources and the resources of other actors to connect people,
technologies and information through value propositions. This idea has created the
base to the service-dominant logic. It sees market exchange as a process of parties
using their knowledge for each other’s benefit. (Vargo & Akaka 2009.) Services are
in the core of this view that sees goods only as a distribution mechanism for services
(Kowalkowski 2010).

In service-dominant logic, value of goods is based on their value-in-use, which is
always dictated by the customer. Service-dominant logic (S-D logic) is seen as an
opposite to traditional goods-dominant logic (G-D logic), where the exchanged good
is in the core and the services are seen as a supplementary feature and the value is
perceived as a value-in-exchange. When the services are brought to the core of
exchange, the importance of resources changes. In G-D logic, the focus is on operand resources, which are tangible and static, which require the same actions to make them valuable for the company. In S-D logic, operant resources are more important, which are the intangible and dynamic resources, which will bring competitive advantage to the company and the network. (Kowalkowski 2010.)

In S-D logic, there are no longer traditional ways to understand customers and producers, since the value-creation is a process of cooperation of all actors in the network through integration of resources and application of actors’ competences (Kowalkowski 2010; Vargo et al. 2008). The customer always determines the value, but to create value, you need companies, employees, customers, stakeholders and other actors, who work together to maximize the value-in-use for the customer. The skills and knowledge of a company on how to bring all the actors together to the value co-creation process are the key resources that bring competitive advantage to the company. (Vargo et al. 2008.)

On the other hand, companies cannot only add value to their customers by different processes. The most successful companies can also reinvent the value. For example, change in a technology or the way transactions are made can be seen as a change in the whole value-creating system. Through their relationships to customers, companies have access to customer’s value-creating activities. If company succeeds to mobilize its customer in new ways, it can change the whole value-creating system and bring competitive advantage to these companies. (Normann & Ramirez 1993.)

Normann & Ramirez (1993) use IKEA as an example of changing the customer’s value-creating systems. Before, companies sold furniture, which were sold and delivered to the customers already assembled. This added transportation costs to the customers, since few people had a car big enough to transport large furniture and thus had to buy the delivering service from the seller company. IKEA sells their furniture in flat boxes, which fit to regular cars and customers had to assemble themselves.
2.5 Market elements

In the prior chapter, the different market theories were discussed to understand how market theorists study market actions. According to Geroski (1998), theories are made to better understand the activities one observes. Theories do not necessarily try to present reality in the most detailed way but instead to draw a clear picture of certain aspects of reality. So, all market theories show a glimpse of the market concept and the elements it consists of. As stated before, market elements characterize different aspects of the functioning of a market from a single market actor’s perspective (Ulkuniemi et al. 2015). Of course, not all theorists discuss the same elements in the market, which is why the prior market theory categorization is now discussed from the point of view of and individual market actor and those elements in the market, that have an effect on one’s functioning in a market.

The first market element that rises from literature is customer demand, since markets only exist if there is a customer need (Geroski 1998). In a traditional market view, customer demand is seen to be present on the market and companies in the industry answer to it, creating the industry supply (Smith 1964: 381). Many practitioners see markets through demand; they identify the current customer place and list the people and places, which they would want to serve. On the other hand, seeing markets from the supply side helps market actors to identify their rivals and boundaries of their rivals as well as the potential of their innovation, when the innovation is compared with the other products and services on the market aiming to fulfill the same customer need. As often entrepreneurs themselves do not have a clear view of the potential of the innovation, supply side point of view helps them to understand the purpose of the innovation, which might be easier to define than the people one wants to serve. (Geroski 1998.) Therefore, the first two market elements affecting an individual market actor are demand and supply.

Naturally the next market element is the object of exchange itself – what is exchanged on a market between customers and companies. In Adam Smith’s view (1964: 17-18) there is always demand and supply for certain objects and companies are those to produce these objects according to the customer demand. Also Kotler’s (1973) marketing management school start from the point of view of the product –
company should adapt the product features according to what customers want or what the company would want the customers to want. Object of exchange is also in the core of entrepreneurship – business opportunity is the innovation, the object that the entrepreneur wants to exchange on the markets.

Demand can be managed through promotion of products and services (Kotler 1973), marketing. Kotler’s marketing management school was the first to talk about demand management and value creation through the four marketing mix components; price, place, product and promotion. Marketing can be therefore seen as way of communication; companies aim to tell their customers about their innovation and its characteristics. Still demand management is more than pushing products to markets and affecting customers’ preferences. It also includes company’s ability to select markets in which it can operate with competitive advantage and to understand the dynamics and future development of the market (Tadajewski & Jones 2014). Demand management is most beneficial for both companies and customers when it is targeted to a certain market segment, which can be identified. Therefore, demand management is the fourth market element.

Price is without a doubt an important element on any market and the effects of price to market actions have been discussed since Adam Smith’s Wealth of Nations. Each innovation on a market can change the market structure and the processes, which also often lead to price changes (Buenstorf 2007). Companies operating in markets where price is an important determinant of sales are more concerned about their costs and thus they usually aim to cut costs. On the other hand, in markets where price pays a smaller role on the customer’s purchase, the companies will more likely invest people with skills and abilities regarding the cost. (Geroski 1998.) Price also provides information about the evolution of the market. For potential entrepreneur, increasing price may signal opportunities for profitable entry and on the other hand, for those already acting on a market price changes give information on demand changes for their products. (Buenstorf 2007.)

Markets can also be observed from the point of view of the relationships between market actors. This network model of the organization-environment interface originally starts from an observation that business organizations often operate in
environments, which include a limited number of actors, which are involved in continuous exchange relationships with the organizations (Håkansson & Snehota 2006). These interorganizational relationships can vary from outsourcing contracts to strategic alliances where company boundaries get blurred (Marion, Eddleston, Friat & Deeds 2015). All relations bring something new to the market and relations together create a network of actors. Still, networks do not evolve by themselves. Companies adjust their relationship portfolios to better fit their needs and therefore change the networks in which they operate. (Ozcan & Eisenhardt 2009.) Through these relationships companies become dependent of other organizations, which makes it difficult to disconnect the company from its network. Company without interaction environment does not have an identity (Håkansson & Snehota 2006). The most meaningful reason why companies establish relations with other market actors is to access resources, which the company does not have or is somehow unable to reach otherwise. This leads us to the next market element, accessible resources.

When starting a business, it is crucial to understand the resources needed to be successful in a market. In their research, Vargo and Lusch (2008) divide resources to operand and operant resources. Operand resources are tangible and static resources that require some action to make them valuable such as natural resources, factories or component. Operant resources on the other hand are dynamic, intangible resources like skills and abilities. Operant resources are needed to make operand resources valuable. All companies need both kinds of resources to be successful.

There is little research on how new business assemble their resources, especially in the entrepreneurial research (Ciabuschi, Perna & Snehota 2012). In their research Ciabuschi et al. (2012) found that companies’ readiness to adapt and capability to interact with others are crucial since the surrounding resources are never fully understood. When resources are put together, they create new resources. It is critical that a company can develop the entire resource base comprehensively, which includes human, financial and organizational knowledge resources (Achtenhage, Melin & Naldi 2013).

All businesses use a specific set of resources, which are collected from the relevant business context. Yet the most critical resources of any company always lie outside
the company boundaries. When external actors control and produce resources that a company does not have but would need, there is a need to create relationships with others to access those resources (Ciabuschi et al. 2012; Håkansson & Snehota 2006).

In the end, all businesses draw on the institutions of the society within which they operate and later develop rules and conventions, which help to coordinate their activities and to align them with the activities of other market actors (Loasby 2000). Institutions guide our action and help us to cooperate in ways that both parties accept and agree on. Institutions can be divided into two groups, formal and informal institutions. Formal institutions are stated in the law and carry the weight of legal sanctions. Informal institutions are the norms and values of a society, which individuals agree on to follow. (Troilo 2011.)

Whenever markets are seen as groups of market actors, the institutions on the market are an important topic of discussion, since they help companies and entrepreneurship in two ways. They legitimize entrepreneurial activity (Troilo 2011), which means that the stakeholders and the public accept the venture to be right and appropriate according to existing norms and laws (Aldrich & Fiol 1994). Also, they protect companies from abuses. When there are common rules to follow for everyone, it is easier to sustain the cooperation among economic actors when there are numerous players in the market (North 1990 via Troilo 2011).

Different products and services require different distribution channels. Clearly massages are impossible to sell online, which is on the other hand a perfectly normal way to sell and buy music or tangible products. Different distribution channels require different resources, have different cost effects and eventually affect the size of the market that can be reached. The most important effect on distribution channel selection is where the customer expects to find the product (Mallen 1996). In market research, the effect of distribution channel on market actors has mainly been discussed by the marketing management scholar. It is seen as part of the company’s marketing strategy (Tadajewski & Jones 2014), which eventually affects the size of the market and how the companies interact with their customers. For example, the use of Internet as a distribution channel has changed the way in doing business various ways. When consumers got an easy access to unlimited amounts of
information about products, prices and companies, it changed the way consumers buy. Companies were able to reach a target market without geographical limits and it gave customers more options (Jin & Oriaku 2013).

Several things affect the distribution channel decision. The density (i.e. the number of consumers in a unit of measure), the total number of buying units and the buying motives and habits of customers affect the channel so that the greater the market density, more likely companies choose a direct distribution channel. (Mallen 1996.) On the other hand, customer-centered companies use outsourcing salespeople to increase the market coverage and volume of sales, since outsourcing salespeople are better at identifying potential customers from different markets and help to bring customers closer to the company (Rajagopal 2008).

Last market element is the actor’s business model, which can be seen as a plan on how it aims to serve its customers, interact with other market actors and gain profit from its actions (Storbacka & Nenonen 2011). Company’s business model is practically includes its understanding of the other market elements, how it aims to manage them and at the same time to create value to its customers. Business models have mainly been discussed when markets are seen as networks and groups of actors, where it is seen as a possible source of competitive advantage.

Recent studies have underlined how important it is that companies’ business models change over time to achieve sustained value creation. Business models cannot be static, since they must change when new opportunities are identified, experimented and exploited in the company. (Achtenhage et al. 2013.) Business models should not be very detailed and restricted at least in the early state of the opportunity exploration, but should rather be viewed as frames for action in the company and in a wider network level (Simmons et al. 2013).

In table 2, the different market elements are presented and you can see, which market research scholars discuss these elements. All research scholars have brought something to the market element discussion. Even though demand management and distribution channel elements were only discussed by the marketing management school, where markets were seen as consumer’s cognitive frames, they were seen
important to the research. When markets are seen from the point of view of an individual market actor, the different ways of working in the market do have an impact on the actor’s operations. For example, if the common distribution channel for the innovations in the market is Internet retailing, it has a large impact on other market elements, the way an individual can do business and how customers act in these markets (Jin & Oriaku 2013). When demand management is seen as company’s communications with customers and especially as targeting innovations to certain customer segments, it affects the actor’s operations as it limits the size of the market and the communication with the customers. Therefore, as the aim of the market element classification was to identify the issues affecting an individual actor on any market, these elements were included in the discussion.
### Table 2. Market elements in market research

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<th>Markets as... / Market element</th>
<th>Demand</th>
<th>Object of exchange/Product</th>
<th>Price</th>
<th>Demand management</th>
<th>Place / Distribution channel</th>
<th>Supply</th>
<th>Relationships among actors</th>
<th>Business model</th>
<th>Accessible resources</th>
<th>Norms of action</th>
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<td>Consumer's cognitive frames</td>
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2.6 Effect of business opportunity recognition on entrepreneurs’ market perception

Entrepreneurs are economic actors who seek for opportunities to exploit aiming to create wealth (Alvarez et al. 2013). Thus, entrepreneurship is a creative process, which can occur only when people pursue opportunities (Shane et al. 2003). According to prior research, entrepreneurs either discover or create business opportunities. Discovery opportunities exist even if no one is aware of their existence; they are based on existing markets and industries and entrepreneurs who choose to exploit these opportunities normally have specific knowledge and information gained during their life. Creation opportunities do not exist in an objective sense; entrepreneurs themselves form these opportunities in social contexts. (Alvarez et al. 2013.)

Business opportunities have different economic value. Prior research has shown that entrepreneurs prefer to exploit opportunities with greater economic potential. Thus, the opportunity itself affects the entrepreneurial process (Shane et al. 2003) as well as does the entrepreneur’s personal characteristics, which affect how she perceives the opportunity. Entrepreneur’s cognitive factors, which refer to her mental models including conscious and unconscious stocks of information, create the framework through which she recognizes new information (Shane & Venkatamaran 2000), including business opportunities. Motivational factors guide her attention to things, which are most important for her, the intensity of doing these things and the persistence of her actions (Locke 2000). Each individual has a unique set of cognitive and motivational factors, which is why each entrepreneur perceives potential, risk and exploitation of the business opportunity differently. Of course, entrepreneurship is also affected by the external factors, which are something that she cannot directly affect or change. Things like status of the economy or availability of funding are things that affect the business opportunities either in a positive or negative way (Shane et al. 2003).

Evolution of markets and industries also affects the extent and kind of business opportunities. Development of industries and markets lead to creation of new opportunities and bring out new potential entrepreneurs. In early stage of a market,
first mover advantages and early concentration of entry indicate better opportunities for entrepreneurs, but also come with higher uncertainty, since the future of the market is hard to predict. (Buenstorf 2007.) In nascent markets, innovating something new can be seen to be rather easy, but it is difficult to know, how the market responds to these innovations.

Business opportunity should always be observed in the context of its markets, since an opportunity is doomed to fail if you are unable to define at least one market domain for it; choosing a market means identifying who the company is serving and how (Geroski 1998). Still, entrepreneurs in same markets can perceive the market very differently (Ulkuniemi et al. 2015). Entrepreneurs define a market for their innovations to organize the way they think about the economic activity they observe (Geroski 1998), which is why the market perception is unique for each individual entrepreneur. Thus, the market and its limits are in the mind of the entrepreneur and the way she sees the boundaries on the market depend on her own reasons (Geroski 1998). Since entrepreneurs recognize business opportunities in either in the context of an existing markets or in a social context based on their own interests, it is reasonable to assume that the business opportunity recognition manner affects the entrepreneur’s market perception.

In their research, Alvarez and Barney (2007) have discussed the differences of discovery and creation entrepreneurs and how the opportunity recognition manner affects the entrepreneurial actions in the beginning of the company’s life. Still, there is little research on how business opportunity recognition manner effects on the entrepreneur’s market perception. To be better able to understand and compare these unique entrepreneur’s market perceptions, they need to be observed through a market framework. One way to observe any market is through the market element classification, which was built earlier and according to which are ten market elements which can be observed in any taken market, which are demand, supply, object of exchange, demand management, price, relationships among actors, accessible resources, distribution channel, norms of action and actor’s business model.
As discussed before, entrepreneurs can recognize business opportunities either in a discovery or creation context. In their article, Alvarez and Barney (2007) compare business opportunities to mountains. In opportunity discovery, an entrepreneur finds the mountain, an opportunity, and decides to climb it. The links to prior industries and markets are already known and thus, there is a demand for the innovation. But in opportunity creation, entrepreneurs do not observe the environment to find mountains; they create them to exploit them. Entrepreneurs act and see how consumers and markets respond to their actions. This means that customer demand can either be present in the markets before business opportunity recognition or it can be created depending on the opportunity recognition manner. In case there is either a demand or supply factor in a market prior to business opportunity, the opportunity is seen to be discovered by the entrepreneur. In case there is neither demand nor supply in a market, the opportunity is created and the entrepreneur has to create both of these market elements if she decides to exploit the opportunity (Buenstorf 2007.)

When an entrepreneur has recognized a unique business opportunity and the product, the object of exchange, is new to customers, entrepreneurs have to trust their instincts and make assumptions about how customers would use the product and what features they would appreciate. This leads to situations when entrepreneurs are sometimes unable to see the possibilities of the product before it is introduced to the market (Buenstorf 2007). According to the research of Benner and Tripsas (2012), entrepreneur’s interpretation on an opportunity and the concept of domain are likely to be affected by the prior background of the entrepreneur as presenting product features. Based on this, it can be assumed that discovery entrepreneurs base their ideas about the object of exchange on the prior industries on which they worked, but it is unclear how the creation entrepreneurs see their innovations on nascent markets, when the innovation is not necessarily based on existing markets and industries.

According to Alvarez and Barney (2007), demand management is an important activity for both discovery and creation opportunities. Yet the efforts may significantly vary depending on the context in which an entrepreneur is acting. In discovery context, entrepreneur is often able to specify the product features such as price and promotion strategy and use these elements in the marketing of the product. In creation context on the other hand, when exogenous shocks on the industry have
not occurred, decisions cannot be based on what other companies have done or what customers might want or what other companies do.

According to Alvarez and Barney (2007), discovery and creation entrepreneurs have different starting points for setting the price to their innovations. In opportunity discovery context, it is possible for the entrepreneur to set a price for their products and services based on the information available on the market, but in opportunity creation context, as entrepreneur often is unaware of all the possibilities of the innovation, setting the price is much more challenging.

Entrepreneurs operating in opportunity creation often face problems with relation building in the beginning. It is unclear what kinds of relations are needed in a market since the entrepreneur herself might not yet understand the potential of innovation. This is why especially in the early stage of the company it aims to partner with others with complimentary resources and abilities. (Mölle & Svahn 2009.) In the opportunity discovery context on the other hand, it can be assumed that the entrepreneur already has relations with relevant actors in the market since the business opportunity seeds from an existing market.

It can be too expensive to acquire all the resources needed in the market for a young company. In discovery context, when it is easier to conceptualize the innovation, the required resources can at least to some extent be recognized unlike in creation context, where the innovation is still looking for its form. Opportunity creation process it might be harder to specify required operand and operant resources. Although prior research has proved that in creation context, entrepreneurs often rather hire staff with broad human capital than to specific tasks (Alvarez & Barney 2007).

Alvarez and Barney (2007) have researched the business models in different opportunity recognition processes and found differences between opportunity discovery and opportunity creation. In opportunity discovery, it is possible that the company can forecast the possibilities and outcomes of the innovation at least to some extent and some entrepreneurs spend plenty of time and energy to develop a complete business plan. In opportunity creation, some entrepreneurs found strategic
planning even harmful for their business and did not want to restrict their business with too much planning ahead, since it would be a waste of resources or at worst, misleading. Also it was found that in opportunity discovery context, entrepreneurs preferred relatively unchanging strategies and in opportunity creation, entrepreneur preferred to think strategies as emerging and constantly changing.

Figure 3 represents the effect of business opportunity recognition manner on the entrepreneur’s market perception. Environmental factors refer to the state of economy and the business environment, where the business opportunity is recognized. It has an effect on the type business opportunities recognized and the entrepreneur’s willingness to exploit these opportunities. Cognitive and motivational factors refer to the entrepreneur’s own characteristics, the knowledge, skills and abilities that she has gained during her life and the driving forces that motivate her to recognize business opportunities. Also the business opportunity itself affects the entrepreneur’s ability to recognize it and to start a business.

Business opportunity recognition can happen in two ways, which are opportunity discovery and opportunity creation. Opportunity discovery happens in the context of existing markets and industries and the entrepreneur normally have some cognitive experience on working in those markets and industries. Opportunity creation happens in a social context and drives from entrepreneur’s own interests. It does not necessarily have an existing market, which is why entrepreneurs in this context have to create the markets for their business opportunities. Since the starting point for recognizing business opportunities is different in these contexts, it is assumed that it has an effect on how entrepreneurs perceive the markets for these opportunities.

In this research, markets are constructed of ten market elements, which together create the market perception of an entrepreneur (Figure 3) The elements are demand, supply, object of exchange, demand management, price, relationships with other actors, distribution channels, norms, laws and rules and actor’s business model. These market elements affect the individual market actors on the market, which in this case refers to the entrepreneur and her company.
Figure 3. The effect of business opportunity recognition on entrepreneurs' market perception
3 RESEARCH METHODOLOGY

In this chapter, the selected research methods are discussed along with the data gathering and data analysis methods. It gives the reader an insight to how the empirical part of this research was conducted.

3.1 Research approach

Since the aim of this study is to add understanding on a specific phenomenon, this research is conducted with a qualitative research method (Ghauri & Gronhaug 2005:110). It provides an in-depth analysis and seeks to understand complex phenomena (Yin 2003:2) and is especially useful in cases where there is little prior research on the phenomena (Koskinen, Alasuutari & Peltonen 2005:37). Since there is little research on entrepreneurs’ market perception, this study also builds a ground for future research.

According to Lempiäinen, Löytty and Kinnunen (2008:243), research aims to create relevant information about the world and to build models of reality. Studies therefore aim to draw a picture of a certain point of view to things happening around us. The aim of this study is to better understand how entrepreneurs perceive the markets they are working on. To gain a deep understanding on this phenomenon, case study method is conducted. Case study refers to a research, where one or more cases are selected for a certain reason, which also gives the researcher an opportunity to understand the research topic in its realistic, natural environment (Koskinen et al. 2005:154–156). In this research, the eHealth market was selected as the observed case. Studying a single market from several actors’ perspective will show whether the actor’s perceptions differ from each other and how. Also, eHealth market is a topical issue at the moment and there was little prior research on the market.

3.2 Data gathering method

In this research, data was collected in semi-constructed interviews, which gives interviewee freedom to answer the questions in her own words and even to suggest new questions (Koskinen et al. 2005:104). In this way, the researcher’s impact on the
data is minimized, since the interviewee can use her own words to describe the phenomena (Alasuutari 2011:83). In total, eight entrepreneurs were interviewed for this research.

The researcher interviewed entrepreneurs she saw to be acting on the eHealth market. All of the interviewees had companies located in Oulu, Finland and they were found from discussion forums, which were part of TEKES funded research program aiming to gather a group of entrepreneurs who would cooperate in bringing a MyData based innovation to markets (TEKES 2014). Participants in the forum were sent an invitation to an interview and 8 entrepreneurs were willing to be interviewed. Entrepreneurs were not able to see the questions of the interview beforehand to minimize the researcher’s effect on the entrepreneur’s answers. All of the entrepreneurs were male and interviews were conducted in Finnish. All interviews were recorded and later transcribed word by word. The quotes used in the empirical research chapter have been translated to English as literally as possible.

Table 3 presents the innovations of the interviewees, their position in the company, date of the interview and the length of the recorded interview. All of the interviewees were working as the CEOs in their companies and their innovations varied from clinical imaging tools to smart insoles. There was in total 109 pages of transcribed interviews collected for this research.
<table>
<thead>
<tr>
<th>Product/service</th>
<th>Referred as</th>
<th>Current status in the company</th>
<th>Date of interview</th>
<th>Length of the interview (minutes)</th>
<th>Transcribed pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Speech controlled mobile assistive technology</td>
<td>Mobile company</td>
<td>CEO</td>
<td>February 25th, 2015</td>
<td>63</td>
<td>15</td>
</tr>
<tr>
<td>Clinical imaging management tool</td>
<td>Imaging company</td>
<td>CEO</td>
<td>March 2nd, 2015</td>
<td>64</td>
<td>15</td>
</tr>
<tr>
<td>Activity modelling and analysing method</td>
<td>Modelling company</td>
<td>CEO</td>
<td>March 3rd, 2015</td>
<td>77</td>
<td>20</td>
</tr>
<tr>
<td>Encouraging tool for monitoring motivation</td>
<td>Motivation company</td>
<td>CEO</td>
<td>March 4th, 2015</td>
<td>59</td>
<td>14</td>
</tr>
<tr>
<td>Energy testing for large customer groups</td>
<td>Testing company</td>
<td>CEO</td>
<td>March 6th, 2015</td>
<td>52</td>
<td>11</td>
</tr>
<tr>
<td>Enterprice resource planning solution for gyms and sports centers</td>
<td>RPS company</td>
<td>CEO</td>
<td>March 9th, 2015</td>
<td>57</td>
<td>12</td>
</tr>
<tr>
<td>Smart insoles for injury recovering</td>
<td>Insoles company</td>
<td>CEO</td>
<td>March 10th, 2015</td>
<td>46</td>
<td>10</td>
</tr>
<tr>
<td>Online booking system for doctor's appointments</td>
<td>Booking company</td>
<td>Co-founder</td>
<td>March 11th, 2015</td>
<td>54</td>
<td>12</td>
</tr>
</tbody>
</table>
3.3 Data analysis method

The purpose of the data analysis was to answer the research questions, which were presented in the introduction of this research. The data analysis was conducted with the help of Nvivo analysis software, which helps the researcher code the data into nodes and better handle the large quantity of data. The data was coded into nodes in line with the theoretical framework.

While collecting the data, the researcher was reflecting the interviewees’ answers to the framework and shaping the questions according to the interviewees’ answers. Researcher spent a lot of time in trying to understand the market and why the entrepreneurs had a certain perception of it. Still, the researcher did not want to discuss her own perception on the market and how it is similar or different from that of the entrepreneurs, since it was not seen necessary in the research.
4 EMPIRICAL RESEARCH

The empirical data collected for this research is analyzed in this chapter. The findings in the data analysis are reflected to the theoretical framework, which was constructed in the theory part of this study. In the end of this chapter, the theoretical framework is reconstructed based on the findings.

4.1 The eHealth market

In this research, the eHealth market is observed as a case study. Even though eHealth has been a hot topic in healthcare since the millennium (Deluca & Enmark 2000), researchers still have not agreed on what the term includes. According to World Health Organization (2015), eHealth refers to the transfer of health resources and health care by electronic means. It broadly includes to all electronic exchange of health related data that can be collected, generated and analyzed (Deluca & Enmark 2000). Since there is still no common definition for the term, in this research the term is understood as broadly as possible. Therefore it is seen that eHealth can include clinic health data for the use of patients and doctors and the so called wellness data, which is seen to include the data an individual herself can collect on her wellbeing, which includes the physical, mental and social wellbeing of an individual (Grénman, Räikkönen & Wilska 2014).

For years, there have been discussions on how eHealth will change the health care systems in the world (Deluca & Enmark 2000). The eHealth market has a great market potential in the future and it is recognized to be the fastest growing sector in the health care industries. In 2012, it was estimated to be worth €60 billion and growing. (Iakovidis 2012.) Ever since the computers were introduced in the 1960’s, health care industry has been slow to adapt to new IT innovations compared to other service industries like banking and telecommunications (Parente 2000). In the beginning, the focus was on building electronic health record databases for professional use. The aim was to build ways to access crucial information fast and to be able to share information among health professionals. After millennium, the focus has turned to patients. New technologies like wearable devices and smart phones
have made it easier to share information between health professionals and patients. (Iakovidis 2012.)

Still the market is fragmented and there is no common understanding of the future of the market. Most of the studies on eHealth focus on examining the technology acceptance of consumers (Ancker, Silver, Miller & Kaushal 2013; Daim, Basoglu & Topacan 2013; Deng 2013). There is practically none focusing on the market and how the entrepreneurs perceive the market, since the research on the eHealth market focuses on the opportunities of the eHealth market in the future (Iakovidis 2012) and how different countries aim to build national eHealth databases (Kriegel, Schmitt-Rüth, Güntert & Mallory 2013). This study aims to take part in the discussion on the entrepreneurs’ perception on the eHealth market.

### 4.2 Business opportunity recognition

In the following, the collected empirical data is analyzed and discussed. At first, the entrepreneurs and their business opportunities are presented along with their business opportunity recognition manners. After this, the stage of the industry is discussed and the factors affecting the business opportunity recognition of interviewed entrepreneurs are presented.

#### 4.2.1 Entrepreneurs

Most of the entrepreneurs were working full-time in their company as a CEO and saw it as their primary source of income. One of the entrepreneurs had another full-time job and worked in his company in the evenings for couple of hours. All of the companies were *business-to-business* (B2B) companies, which means that they sold their innovations to other companies and not directly to consumers. Practically only one of them had a product for consumers, which was sold through a retailer.

All of the entrepreneurs interviewed for this research were acting in the eHealth market either in *clinical health care* or *wellbeing business*. The entrepreneurs in health care business were mostly selling their products to public or independent health care service providers and the entrepreneurs in wellbeing business sold their
innovations to other service providers like gyms, education providers and sports centers.

“…We do business to business, which means that we license the energy test, our web based product to different professionals like to personal trainers, coaches, sports centers… These kinds of professionals who coach the end customers.” (Entrepreneur of the testing company)

All of the entrepreneurs thought that they had a fresh and innovative approach to old problems. People’s increasing interest in their health and new technologies were the things that the entrepreneurs felt enabling them to start a business in the specific industry.

“…Well, we are fresh on the market. Fresh and refreshing change from the system side, you know. We aim to help the daily lives and develop our thing all the time, it is ongoing and we aim to bring something new there all the time. – – We are like, up to date, we can use social media for example and attach it to our system.” (Entrepreneur of the ERPS company)

4.2.2 Business opportunity recognition

There were both discovery and creation entrepreneurs interviewed and their business opportunities varied a lot from doctor’s appointment booking website to energy testing and motivation monitoring systems. According to Alvarez and Barney (2007), discovery entrepreneurs recognize their business opportunities by scanning the business environment and spotting opportunities. Opportunities are discovered if there is either a demand or supply factor present on the market (Buenstorf 2007). Six of the entrepreneurs interviewed for this research had discovered their business opportunity by either discovering a demand for a certain kind of product or the opportunity eventually took shape through customer consulting cases, where entrepreneurs had worked together with their customers to create a solution for their problems.

“…Demand. It came from customer demand. This sole thing came indeed from customer demand. We have two people in our team and both of them came to the same conclusion and it was asked from both of them. There has been search for a way to better follow the
rehabilitation of people and the technology hasn’t yet been able to solve it. Now there has been few new pieces that have made it possible. Yes, it came specifically from customer demand.” (Entrepreneur of the insole company)

“…It came from customer demand. It was clearly a practical situation. We knew that there is demand for our knowledge, so we just started doing it. And in a way, the product business was the thing where we were aiming to and what we want to do. Back then, we didn’t have an idea for a product, but based on our customer cases, we have developed a product that sells. It is kind of our business opportunity. Originally our company just did, what the customers wanted.” (Entrepreneur of the imaging company)

Only one of the discovery opportunities were discovered based on entrepreneur and company’s knowledge and abilities. He saw was a demand for the innovation, since the entrepreneur felt that bigger companies would not start a business in such a small market. It was important to him that he was able to keep his team together with whom he had been working for years in two different companies.

“…Well, I guess it started from that previous company, in a way that they don’t really focus on these smaller language areas at all. So I guess it came from there. – – We were thinking, that we can probably do this better than they ever could.” (Entrepreneur of the mobile company)

The youngest of the entrepreneur was passionate about becoming an entrepreneur and even if he had no prior experience on the market, he and the co-founder were able to recognize a gap on the clinic health market and to discover a business opportunity. The business opportunity was discovered based on the co-founders wife’s occupation and later extended to cover larger part of the health care market.

“…Like I said, we just wanted to be entrepreneurs. Maybe the business opportunity came to us after couple of lunches and coffee breaks and it kind of came from my business partner’s idea to create a webpage for dentist. And from that, we have started to come up with ideas. We didn’t start from the opportunity, we started from wanting to be an entrepreneur.” (Entrepreneur of the booking company)

Remaining two entrepreneurs had created their business opportunity. Even though creation opportunities do not necessarily lie on existing markets and industries (Suddaby et al. 2015), these entrepreneurs had started from their own interests but
created an opportunity aiming to the eHealth market. Both of the opportunity creation entrepreneurs started the business based on their own capabilities. One was curious to see, if his and the partners’ knowledge could be turned into a business. The other one got frustrated in the working culture in his prior job, which is why he studied work life wellbeing and started his own business, which aimed to help people to stay motivated in their work.

“…Well, you could say we noticed in this group where we have now been working that we have ideas that can be implemented to lots of things. So we started thinking what it could be and how it could become a company and we found a company a year ago and now we have kind of been developing our product in a larger scale and we have also worked in more specific cases like today, before you arrived.” (Entrepreneur of the modeling company)

“…Well, in the beginning it started from us working in a large corporation, where you couldn’t really have an impact on what you’re doing. So sort of a backslash hit me that it must be the person herself taking the ball of doing things and developing herself and to guide herself. – – It started from the idea, that you must take the responsibility and actively develop yourself and follow, how well you’re doing. So at the end of my career in Company X, I acquired this diploma of a focus-oriented work instructor and the idea started developing from that.” (Entrepreneur of the motivation company)

So, there were basically two kinds of entrepreneurs: either the entrepreneurs continued using their capabilities and knowledge in their new company, which was related to the business they were in before or they started doing something completely different. What lead entrepreneurs to change the field completely was mostly frustration in their prior job. They felt that they had to start doing something more meaningful and inspiring, even if it would not bring them more wealth.

4.2.3 Business opportunities

All of the business opportunities were based on software, which could be supported with a physical product. The opportunities could roughly be divided into two groups: the innovations, which solved problems that could not have been solved before and innovations, which solved problems that have been solved differently before.
“…Well, there are these similar solutions on the market, but our advantage is that we have new technology, which makes new things possible and is visibly cheaper. – – The old way is around 100 times more expensive, so that it has cost some tens of thousands to do and our solutions is some tens of euros. Our way is more innovative and it works in these new tablets and phones and works on a browser. So you don’t need to install software and so on. That’s what makes us different from others.” (Entrepreneur of the imaging company)

“…There is a screaming customer demand for this product, since there is no other product like this. How it has been done before is that doctor tells you to put 20 kilos of weight on your foot. – – There is a scales and a piece of wood and you put your healthy foot on the wood and start leaning on the scales. And when it shows 20 kilos, the doctor tells you to walk like that. And when you go outside, you have a vague idea of how much you should lean on your foot and no idea if you are currently leaning 10 or 50 kilos on it. – – We offer them the possibility to check your every step and to show your doctor that you walked 5000 steps and put weight on your foot correctly on almost every step.” (Entrepreneur of the insole company)

Interestingly, the innovations that solved previously unsolvable problems were both discovered, not created. Therefore these entrepreneurs had some insight of the markets, where their innovations aimed to. Both of these innovations were designed to the health care market.

“…This software solves the problem of a person who for some reason cannot use a mobile phone so that either is physically disabled or visually challenged or you have hands at work, you can be for example driving a digger, you could also use this software when you have your hands at the wheel and the buttons, so that you can call and send messages, to use a phone normally. – – This is the first software like this functioning in Finnish and I guess no one has made anything similar even in other languages. In the aid business we found out that people cannot use devices, since the systems are so complicated just to make a phone call and even then you cannot call to some free number you would dial like 050 etc. So we thought what it could be and how we could help them.” (Entrepreneur of the mobile company)

Those innovations, which solved old problems in new ways were either discovered or created. All of these entrepreneurs felt that they were doing something in a new, fresh way, which could decrease costs and help their customers. These entrepreneurs easily compared their innovations to those of competitors and could explain how it was different from similar solutions.
“...Well, there is something similar going on, but they don’t have a single free time available there and they don’t even have a booking system. So it is in its infancy stage. One actor is publishing mainly this quality information about doctors, which are these amounts of operations and stuff. And they said that maybe later they start adding these bookings and other things in it. But we started doing things differently. First we have these booking features and we make the service functioning. It took the others two years of development work to create just a quality website and I am afraid, it will be too late at the time when they have finished, because I think they should have started with the free appointments.” (Entrepreneur of the booking company)

There was a clear difference between the entrepreneurs in how they talked about their business opportunities. The discovery entrepreneurs were able to explain their business opportunity, to whom it was designed to and how it can be used in their customers’ lives. They were confident that they had found the right target market and were doing the right things. The creation entrepreneurs struggled with defining their product and their customers, since they had not yet fully understood all the possibilities for their innovation, which is a common issue in the early stage of creation opportunities (Alvarez & Barney 2007). Even though they had found customers who were willing to use their innovation, they were still trying to find more customers and possible uses for the innovation.

“...What will in the end be the biggest and pretties customer, is still to be seen. At the moment, there is most demand in the education. At the moment we are focusing a lot on that, since it seems to be the most obvious one. I don’t know, what other product and customer segments we can find after that. Time will show.” (Entrepreneur of the motivation company)

“...Our customer base is very broad, so that our customer can be anyone from babies to old men. Anyone who is working with people and with actions of people. If you want examples, it could be the elderly sheltered homes, builders of these action parks for kids, people working with sports, rehabilitation, trainers, schools... Who is missing? The sector is very large.” (Entrepreneur of the modeling company)

4.2.4 Industry development

All of the entrepreneurs felt that the industry is still developing and growing in the future. The industry was seen to be interesting to new actors, since there was a lot of
money and people were more and more interested in their health and wellbeing. Especially the entrepreneurs in wellbeing business felt that in the future, you are even required to be able to continue to work for longer and this will make it necessary for all of us to become interested in our health issues.

“…I guess the industry is growing, since companies keep requiring more and more from their employees. You have to be fit to achieve things, you are under a lot of pressure and people have to keep on going.” (Entrepreneur of the testing company)

Also the companies working in health care business thought that the industry is still developing due to the new technologies. Technologies can either bring solutions to problems that were before unsolvable or make it easier and cheaper to solve already solvable problems. But on the other hand, the entrepreneurs saw that the health industry was tough environment where it was hard for companies to penetrate successfully. There were lots of special features on the industry and the market, which might be hard for outsiders to understand.

“…Health care market is one of the few markets which are growing at the moment. But of course there are lots of negative aspects on it too, like that it is really hard to penetrate in it and it is old fashioned and so forth. But the market itself is a good option in this economic state.” (Entrepreneur of the imaging company)

Even if the entrepreneurs saw the industry developing in the future, they were concerned that the business might just be a short boom and that at some point, people might not be as passionate about their health and wellbeing in the same extent anymore. Therefore the entrepreneurs felt that they have to act fast to get their share in the market.

“…Well, the risk is that it can be only some kind of boom. Like normal gyms, which are not targeting to anything special might die. – – This specializing has started to be visible there, there are these functional gyms and stuff. That specializing and then that our own product would not spread around. You should somehow be able to support everything in somewhat controlled way so that it doesn’t become too big, spreading. It can be a threat.” (Entrepreneur of the ERPS company)
So, even if the entrepreneurs were positive about the future of the industry, they were still following the changes in the market and how people’s interest in the industry was developing. Some companies actively followed what their competitors were doing and some were more concerned of where the industry itself was heading to and what new opportunities technologies brought. Entrepreneurs were not specifically concerned about the future of their company on the industry, but still kept their eyes open regarding the changes in the market.

“…We have been following, regarding to this product we have, about when Siri and others are launched in Finnish or Swedish, since it is important to know.” (Entrepreneur of the mobile company)

4.2.5 Influencing factors in business opportunity recognition

As it was discussed in the theory part of this research, the business opportunity recognition if affected by the entrepreneur’s cognitive and motivational factors and the environmental factors surrounding the entrepreneur. Cognitive factors refer to the entrepreneur skills, knowledge and abilities, which she has collected during her life (Shane et al. 2003). Motivational factors refer to the entrepreneur’s needs, values, goals and emotions, which guide her to the things that are important to her and affect the intensity of doing these things (Locke 2000). Environmental factors refer to both the economy and the social context in which the entrepreneurs recognize their business opportunities (Shane et al. 2003; Shaver & Scott 1991).

First, the cognitive factors of these entrepreneurs will be discussed. All of the entrepreneurs interviewed for this research were college graduates, most of them from engineering. Most of the entrepreneurs had also worked in other companies and had background in business life as an employee. Most of them had worked in large enterprises, where they felt incapable of affecting their own tasks and unable to see the results of their work. Thus, the urge to be able to decide on their work and to fulfill them seemed to be a driving cognitive factor of these entrepreneurs.

“…I was there for 12 years, two last of those abroad. I came back to Finland a year ago in January and I wanted to get out of there since I felt that they had nothing to offer for me anymore. I felt that it was so narrow-minded there, they had money for nothing that needed
development and I felt that this doesn’t make any sense anymore. – – At least I can decide about things now, that’s true. Of course, the responsibility is also a bit different. My will to see and experience something else was the reason why I left.” (Entrepreneur of the ERPS company)

Only one of the entrepreneurs were clearly different from others, since he had an education in humanities and had been working most of his life as a researcher in the university. This entrepreneur was also the only one whose parents were entrepreneurs. Still he had not continued his parents business but started a new one in a different market. He felt that he had a lot of knowledge that someone would be willing to pay for and had therefor started a part-time business along with his researcher career at the university. He had created his business opportunity with a team of other researchers and specialists. So, in a way he also wanted to fulfill himself in his own company.

“…Maybe it was the freedom. We wanted to try if these ideas could carry us somewhere. That has been our idea here, to see if they have you know, profitability and if people are interested in these ideas and using them.” (Entrepreneur of the modeling company)

There were two entrepreneurs who had prior experience in entrepreneurship. Both of them had already once built a company, which had several employees and were sold to a foreign company. Experience in entrepreneurship seemed to add their belief in their innovation and their ability on making a living of the innovation for themselves and others. It made them confident and trustful towards their own ability to make the business profitable and even believed that they had all it takes to become a market leader.

“…We made a choice when we started that we would do this especially to the professionals, so that we are not working for Adidas of Nike but we are doing this especially to the professionals in rehabilitation. It is more important to us that those 500 orthopedists in Finland think we’re good than what the rest 5 million think. – – It is a familiar situation to us, since it was the same in my previous company. We did not want that those in the street would know us but all of those designing components to mobile phones, all of those would know, who we are.” (Entrepreneur of the insole company)
According to Locke (2000), entrepreneur’s motivation drives her into things that interest her and the intensity of doing things. When the entrepreneurs were asked to think of the things that motivated them to become entrepreneurs, the most common motivational factor was the *freedom* to decide about their own tasks and work. Some of these entrepreneurs had got sick of being told what to do before and especially when they could not see the clear results of their work.

“…It must be the freedom and ability to decide on things. You have the power, well not the power, but the freedom to do things. I was so sick of it, when I worked as a mechanical designer while studying that you got these meaningless instructions from your manager. And when I gave my own ideas to him, they were never heard. So maybe I wanted to try, what it would be like to define your own tasks at work.” (Entrepreneur of the booking company)

Some entrepreneurs were more passionate on their business opportunities than others. Some of them were clearly more excited on making their company bigger and better than anyone else. They were enthusiastic to use their abilities and skills and this urge to show others pushed them to try things harder. These entrepreneurs had all discovered their opportunities.

“…I have a dream to build this into an internationally successful company, a good workplace, a good work community, show myself and others that I can build a kind of a great company where there’s nice to work and that is also doing at the moment a great business, a good revenue in the world. Maybe I have set that kind of a bar somewhere there for myself.” (Entrepreneur of the testing company)

Interestingly, *money was not very important* motivator for these entrepreneurs. Rather than aiming to gain a lot of wealth, they wanted to be able to live with what they earned from the company instead of trying to find ways to earn more and more.

“…It started from the freedom aspect and of course, in the long run… I should say, I am not directly doing this to chase euros since I have seen also that side of entrepreneurship and that when you take that line, the passion for entrepreneurship changes into money making. But in the long run, to achieve some kind of financial freedom is also my goal.” (Entrepreneur of the imaging company)
All of these entrepreneurs clearly had a passion for trying new things and seeing where they can get with them. In Finland, it is possible to get unemployment aid from the government, when one gets unemployed but none of these entrepreneurs saw it as a preferable option. They felt like they had to become entrepreneurs to stay active and to find the thing they love.

“…At the employment office they somehow thought that it would be better for me to get the unemployment aid from my union for 500 days than to think of my own thing, start my own business and get this starting aid, which is only 700 euros a month and they asked for a report of what I am going to do! I personally think that it is better for the economy that I have ideas, take that starting aid and I would not need the support in the future.” (Entrepreneur of the booking company)

“…When you talk about this motivating to entrepreneurship and these things… To be honest, the smartest thing financially would have been to become unemployed. But now that we have been doing this for 18 months, we have fallen from the system. So that if our business would die now, we would not have any unemployment security or nothing. So Finland has nothing for that. Well, that’s what it is nowadays. Or maybe been like this forever.” (Entrepreneur of the mobile company)

As discussed in the theory part of this study, along with the cognitive and motivational factors, the environmental factors also affect the entrepreneur and her business opportunity recognition. All of the entrepreneurs interviewed for this study were acting in the same country and in the same city. Still, there was a difference in how the entrepreneurs perceived the environmental factors in Oulu region and nationally Finland. Many of the companies talked about the environment in Oulu region to be supportive. In total, entrepreneurs felt that the environment has changed to better during the recent years and the atmosphere towards entrepreneurship in Finland has become more encouraging.

“…It is better nowadays. Back then it was… I have always told this story how my dad was working for the government and he accepted that I would never become the same but in the 90’s we had the same discussion quite many times. “You could get a job from Nokia, but you’re not taking it?” he said. That tells quite a lot about it, how if you would became an entrepreneur voluntarily, you were insane.” (Entrepreneur of the insole company)
Still, most of the entrepreneurs did not feel that people were motivated and supported enough to start a business in Finland. The environment was stable enough for them and they felt secured in a way that the information needed to start a business was available. But on the other hand, many saw problems in hiring people, the taxation system for young companies and the legislation system. Both discovery and creation entrepreneurs talked a lot about the issue of the Finnish government’s *problematic attitude* towards entrepreneurship.

“…I guess that the environment is good, generally speaking. In Finland, the system works. You know how it works, the rules are clear. Some might think there are too much of them. Maybe there are, you know, guidance and rules and that kind of stuff. It takes a lot of energy. But this is a safe and stable place for being an entrepreneur. But in the other hand, it is challenging since the home market is extremely small.” (Entrepreneur of the testing company)

“…Yeah, the environment is good in that sense, it is easy to start doing, but there are some problems… Negative thing is for example hiring people, it is hard. You could get some support for that, but employees are extremely expensive. You would want to hire people, but it is so ridiculously expensive, it is actually the most precious asset a company has. – – But then again, it is easy to become an entrepreneur in Finland. It only depends on yourself.” (Entrepreneur of the ERPS company)

The entrepreneurs thought that the situation in *Oulu might be different* from the other cities in Finland. During the recent years, many companies have closed their sites in Oulu and left plenty of talented work force behind (Kaleva 2014). Entrepreneurs thought that this has forced the city to act and to support entrepreneurship that can create jobs. This was a common understanding of both discovery and creation entrepreneurs and there were no clear differences in how they perceived the environment in Oulu.

“…Well, during the last couple of years, there’s been this crisis and renewal always starts from a crisis. When things were going to hell, they started acting and doing something. That change has been so dramatic here. Maybe they understood entrepreneurship more in Helsinki before. But during the last two years Oulu might have won it, since they’ve realized that this is how actually jobs are created. Cutting out some actors of course, but let’s not go there.” (Entrepreneur of the insole company)
“…You get more help here. When you know the situation here in Oulu, they have invested a lot to it. Companies can find services and help and what else. But on the other hand, there are not many customers here. It is easy to start your business here but if you want to sell, Oulu is not the place to be, then you have to… Even Finland is not a good market then, you have to go abroad.” (Entrepreneur of the imaging company)

4.3 Market perception on the eHealth market

In the following, the entrepreneurs’ market perception is discussed and analyzed focusing especially on the market elements and the way in how the entrepreneurs talk about the market and its future. The aim is to understand if the business opportunity recognition manner affects the entrepreneurs’ market perception.

4.3.1 What the entrepreneurs think about the eHealth market

The entrepreneurs were asked a question: “What comes to your mind when you think about the markets where your company operates?” The first thing that came to the mind of these entrepreneurs was either the size of the market or the competition on the market. Creation entrepreneurs talked more about the supply factors and especially about the competition on the market when discovery entrepreneurs concentrated on the potential of the market and the increasing demand for their innovations in the future.

“…On the other hand, there is a lot of competition on the market, but they don’t compete with the same… What should I say? Our knowledge is built in a different way.” (Entrepreneur of the modeling company)

“…It depends on the point of view. If you think from the technology point of view, you might think about the competitors and all other stuff and how we should change our technologies. But if you think from the product side, and you think how it fits to our customer and how we could make it even better for her.” (Entrepreneur of the mobile company)

“…The market is big. In Finland, companies use 500 million euros to staff sport benefits and in the States 20 billion euros, it is a big market. There’s a lot of money used and our goal is to get our own slice from it
in a way that we bring this new, functioning tool there.” (Entrepreneur of the testing company)

Interestingly, most of the entrepreneurs first talked about the negative things in the market. This might be due to the fact that they felt that there is a lot of competition in the market and it was clear to these entrepreneurs that no matter what they do, there will be someone trying to do the same thing and they are in a hurry to invent something totally different, which would be hard to copy.

“…There’s a rush. You must get things done fast. There’s a lot of potential and this wellness business is growing all the time. I feel like I should just throw something together so that you could get things done as fast as possible. So you should grow rapidly, but at the same time in a controlled way so that we wouldn’t end up in a bad situation if things suddenly change.” (Entrepreneur of the ERPS company)

Discovery entrepreneurs were clearly more optimistic about the markets compared to creation entrepreneurs. Most of them talked a lot about the potential of the market and how the market is growing and interesting to companies. They focused on the positive things on the market and the huge amount of new business opportunities the market development will bring in the future. Creation entrepreneurs were more doubtful about the market and their place on it. They had clearly more trouble defining their role and innovation on the market. Alvarez and Barney (2007) discussed similar issues in their research on discover and creation entrepreneurship. According to them, the creation entrepreneurs often have difficulties in defining their business opportunity, which leads to problems in defining their market potential.

“…It’s nice to be on the good side. We are doing good things and there’s a demand for this. – – We help those six million people every year in the US market. If we take Europe in it, it’s more than 10 million people. We are on the good side.” (Entrepreneur of the insole company)

“…Oh how much you have had to learn. There are lots of companies. – – There’s a lot to think and you have to search for your place and the angle and the message that you’re telling people. It is even changing in our company, we are three years old now and we are all the time testing. Trying to find the words and ways and things and try to find the things that actually work that way. But yeah, there’s a lot of people out there. It’s not a blue ocean where you can sail alone.” (Entrepreneur of the motivation company)
It was especially interesting to notice how some of the entrepreneurs did not see themselves working on the eHealth market at all. For example, the entrepreneur of the mobile company did not see himself acting on the health care market even though his innovation was designed to patients with difficulties in using regular smart phones. He preferred to see himself acting on the software business. On the other hand, some entrepreneurs saw the market in a larger scale. The entrepreneur of the testing company saw his company acting on health and wellbeing markets.

“…Yeah, we are in software business. We call ourselves a software house, but in theory we could profile ourselves through our product to health care and it might even be a good idea, since it is the same technology. –– If someone would want to license our technology to something else, like a game or something, to be in the aid device business is still a bigger reference, since it is a completely different business, even though the technology is exactly the same.” (Entrepreneur of the mobile company)

“…Would it be wellbeing and training and… I guess it is this wellbeing sectors and training and health care sections. That’s what the sports is all about, this wellbeing sector.” (Entrepreneur of the testing company)

Creation entrepreneurs had more problems in defining their market. As they had not yet found the possibilities of their innovations, they had hard time defining their business. Discovery entrepreneurs were able to give a better definition of their business than creation entrepreneurs, which is normal according to Alvarez and Barney (2007). It can be that as the creation entrepreneurs had not found all the possibilities of their innovations, they were even somehow afraid to strictly define their market.

“…We are a company who is playing in many fields. In some sense, we are competing in the survey field with this software product we have. –– On the other hand we are in consulting field, since we are offering a service linking to self-development and as it includes interaction with customer, it is sort of consultative work. So in one way, consultants are our competitors. Maybe those are the two biggest groups. We are somewhere in the middle of consulting and software developing. We are both but neither purely.” (Entrepreneur of the motivation company)

Also, the entrepreneurs had a different perception on the meaning of the market term. When they talked about markets, they talked about the industry, the business
environment and their current and potential customer base. The market sometimes even covered the entire international potential customer base. As the research questions aimed to minimize guiding the way entrepreneurs talked about the market and what they thought the word means, it was interesting to see that the word meant something completely different for all entrepreneurs. Discovery entrepreneurs talked about the potential customer base and most of them immediately thought that it would cover also the international customers. Creation entrepreneurs did not directly refer to anything specific when they were talking about the market. This supports the fact that creation entrepreneurs have more trouble in defining their markets and what their place on it is.

“…It’s nice to be on the good side. We are doing good things and there’s a demand for this. In the world or in the US market there are million bone fractions, two million endoprosthesises, knees and hips and three million people, who have severe back problems that are caused by wrong way of walking that cannot be fixed today. We help those six million people every year in the US market. If we take Europe in it, it’s more than 10 million people. We are on the good side.” (Entrepreneur of the insole company)

“…Well, mostly it comes from our product and that market is quite small. This alone won’t feed us, so that is just one… When you know how the technology works so we are sure that it helps the people who start using it. But if you think from the technology point of view or in a larger scale, there are big players there. So there might be patents and stuff and we cannot answer to those issues. So if we create the technology for some big company, there might be issues how we get in there. I guess that’s it.” (Entrepreneur of the mobile company)

“…Oh how much you have had to learn. There are lots of companies. – There’s a lot to think and you have to search for your place and the angle and the message that you’re telling people. It is even changing in our company, we are three years old now and we are all the time testing. Trying to find the words and ways and things and try to find the things that actually work that way. But yeah, there’s a lot of people out there. It’s not a blue ocean where you can sail alone.” (Entrepreneur of the motivation company)

One of the creation entrepreneurs refers to the market as “not a blue ocean where you can sail alone”. He is referring to The Blue Ocean Strategy, a book by W. Chan Kim and Renée Mauborgne from 2005. In this book, red oceans mean the industries that exist today, where the boundaries are set and there are lots of actors on the markets.
Blue oceans refer to the future markets, which do not exist today. There is no competition and the demand has to be created on the market. (People management 2006.) This represents the thoughts of all of the entrepreneurs interviewed for this study. Even though the entrepreneurs had recognized a unique business opportunity and most of the entrepreneurs were doing something that no one else was doing on the market, they still did not feel like they were acting on a nascent market. All of the entrepreneurs saw themselves working in an existing market, which has stable constitutions. Entrepreneurs preferred to see themselves working on a market that was familiar to them and was developing into something new instead of thinking that their innovations created a completely new market.

Therefore it is true that entrepreneurs perceive the market in different ways. As Storbacka & Nenonen (2011) state in their study, market perception is always a subjective view on reality of things and different individuals tend to have a different perception on the same thing. Even though the researcher in this study had stated that the entrepreneurs interviewed were acting on a same market, the entrepreneurs themselves understood their markets in a very different way. Entrepreneurs preferred to see themselves acting on a market that was already familiar to them or obvious choice based on their product.

Entrepreneurs saw the markets from the supply and demand point of view. The size of the market, the competitors’ actions and market potential were the things that came to their mind first when they thought about the markets they were acting on. All of the entrepreneurs thought that the market was developing and growing in the future due to the increasing interest people have in their health.

4.3.2 Market elements

In this research, market elements were used to better understand what elements affect the business of a single actor on the market (Ulkuniemi et al. 2015). Based on the literature review, the following ten elements were identified: demand, supply, object of exchange, demand management, price, relationships with other actors, accessible resources, distribution channels, norms, rules and laws on the market and the actor’s
business model. In the following, the entrepreneurs’ perception of the elements on
the eHealth market are discussed and analyzed.

All of the entrepreneurs agreed that there was a sufficient demand in the market for
their innovations, which would also grow in the future when the companies gain
more reputation on the market and people would get to know their innovations.
Interestingly, even the entrepreneurs who currently had problems in defining their
customer saw that the demand for their innovation would grow in the future.

There were no clear differences in how the discovery and creation entrepreneurs
perceived the demand on the market. All of them felt that the market is growing due
to the increasing interest in health issues and the developing technologies, which can
make it easier to monitor one’s health.

“…The one being the first to bring a credible product to the market has
a great opportunity. There have been a couple of competitors in the last
couple of years, but still there is nothing sold on the market.”
(Entrepreneur of the insole company)

“…It is increasing. People want to develop, raise their children better,
feel better, and sustain their ability to function. When we have thought
about using technologies and we should make the most of it. That’s
what people are interested in; to get information fast and some
feedback of your actions and to be able to get information while
moving.” (Entrepreneur of the modeling company)

Most of the companies understood that the demand for their innovation could only
grow rapidly, if the company would expand abroad. Finnish market was seen to be
too small if company wanted to increase the volume and sales. Most of the
entrepreneurs saw it beneficial for them and were planning to grow their business
abroad in the future.

“…Right now our goal for the upcoming year is to in a way to conquer
the home market so that we would get a stable position where we
would be the number one in this business and our customers would say
it out loud. Quite many do already, but we want the majority to say it.
And also we are building our international sales and focusing in the US.
Now we have been trying to open roads there for a while but we have
had so few resources there that we are just beginning. But during this
year, we are aiming to first get some individual customers there and then build a team of two to three people there. And the idea is that in 2016, big part of our revenue would come from there, almost as much as we get from Finland.” (Entrepreneur of the testing company)

The entrepreneurs also agreed that there are companies in the market solving similar problems for the same customers as they did but all of the companies thought that their innovation was somehow better than all the other innovations on the market. Entrepreneurs saw their innovations fresher, more versatile and solving problems more profoundly than competitors’ solutions. When talking about the supply and the competition on the market, they saw it as something that that would push them to try harder and did not feel like they had to fight for customers.

“…Well, in competition, it is enough that you are the best. So if there is no competition, that is not good either, you get stuck.” (Entrepreneur of the imaging company)

So, entrepreneurs were not concerned about the supply on the market but they were aware of the other companies and products on the market and were following what the other companies were doing. Most of the entrepreneurs were eager to hear about how others were solving customers’ problems and were respecting the way other companies were doing their business.

“… I am pretty trustful that we are so far with this product and solved many things so that we have a lot of competitive advantage. So I am not afraid of the competitors. Of course you always have to respect the, but like I said, I don’t see many trying to get to our territory. It is a hard market.” (Entrepreneur of the booking company)

Most of the entrepreneurs felt that they were exchanging a software product with their customers and most of the companies were customizing the product according to customers’ needs. Even though many companies had one core product, they were still offering e.g. consulting and software development to get revenue. Some of the companies also had physical products, which would support their software, but these products were not manufactured or even designed by the company.

“…We have this technology that we license to other companies who make software of products or something else. And then we have our
own product, which we sell through a retailer. And then we have these software projects and everything that has something to do with our product or even in general to software business. So we do any kind of software to gain revenue so that we can pay for our R&D with it.” (Entrepreneur of the mobile company)

There was a clear difference between discovery and creation entrepreneurs in how they saw the future of their innovation, the object they exchange with their customers. Discovery entrepreneurs thought that in the future they were able to focus on a niche market and to decrease their offering. They were all aiming to reduce the amount of consulting they would do with the customer and to mind a way to standardize their product. They wanted to make the current innovation better and bring more features it e.g. to increase the content customers see or increase the amount of languages.

“…We are making it even more user friendly, a product that is easy to use. We develop the reporting and that measuring and reporting are in a very focal role in this and that’s what customers like about it. We are developing it a lot and making it more versatile, but at the same moment we want to keep it simple and easy to use. – – I guess the biggest change in the long run is that the role of this energy test will get smaller when you start finding the health date from different databases and then we wouldn’t have to focus on the measuring anymore and we could concentrate on the algorithm.” (Entrepreneur of the testing company)

“…We are developing the technology all the time so it is going onward. So I guess it is mostly so that Finnish version is still developed and then we focus on the other languages. We have started making a Swedish version and then the other Nordic countries. I guess that is the short-term goal and when the technology is ready, the product can also be used in those languages. And then the aid device functions, we are considering what to add in it.” (Entrepreneur of the mobile company)

Creation entrepreneurs were looking to expand their market in a way that they would find more possible customers in different markets for their innovation. They felt that they had not yet found all contexts in which their innovation could be used and were looking to broaden their customer base. So, where discovery entrepreneurs were trying to specialize, the creation entrepreneurs were trying to extend their business.
“…What will in the end be our biggest and finest, it is yet to be seen. At the moment there is most demand in the education sector. At the moment we are focusing on that, since it looks to be the simplest way. I don’t know, what other product and customer segments will be born after that. Time will show us.” (Entrepreneur of the motivation company)

“…At the moment we are just thinking about all the possibilities of this idea. I gave you two examples, but where could there be more possibilities to use this method? That’s what we are thinking about.” (Entrepreneur of the modeling company)

Most of the entrepreneurs felt that marketing and selling were the most difficult things in their business. Most of the companies were selling their products by contacting the potential customers and avoiding useless marketing and “empty calls”. This was normally done due to a lack of resources. Small companies did not have a large marketing budget, and therefore understood that they needed to contact their potential customers directly.

“…As a small company, it is challenging when you don’t have a two million euro marketing budget so that you could run television campaigns and advertise in newspapers every month. So when all this is out of the picture, what is left there is that you have to make your voice heard through your customers and make everything so well, that you gain reputation as a trustworthy and good player through that. I don’t know, there’s a lot to learn. I haven’t really found a philosophers stone yet.” (Entrepreneur of the motivation company)

As could be expected, creation entrepreneurs had more trouble in communicating with their customers. They had to make a bigger effort to explain the benefits of their innovation to their customers and had struggled with marketing. This was especially a problem of the companies acting in wellness business.

“…The biggest concern of our customer is the trust to this thing and how the online booking actually works. Or they are afraid of the problems of sustaining the online booking. They are worried about it since they haven’t used anything like this before. And then they always complain how the patient cannot book a right amount of time online and it has to be done in a phone call, since they are the only one knowing the amount of time the patient needs. They are afraid to death of a situation that the patient books a half an hour appointment and she is there for 45 minutes and the next patient is waiting for 15 minutes. But this is actually happening to them all the time in the phone too, but
they don’t admit it. I am sure about it!” (Entrepreneur of the booking company)

Discovery entrepreneurs also had problems in marketing and selling, but they were more *determinant* how they were doing things and which marketing channels they used and how. As they had a clear idea of their customers, they were able to understand what information their customers needed and how they should be visible to them. Health care entrepreneurs were directly in touch with their potential customers and had a close relationship with them. Entrepreneurs in wellness business had sometimes trouble in using the right words in their demand management. They told that it took them some time to understand why customers understood their business wrong sometimes.

“…It is more important to us that those 500 orthopedists in Finland think we’re good than what the rest 5 million think. We don’t give shit to the rest. – – You don’t have to be visible in social media as far as the professionals know who you are. It is a different kind of reputation but it is very important.” (Entrepreneur of the insole company)

“…Sometimes it is hard, since there are people who don’t get the idea. To make them understand it that we are not making just an access control system but an operation management system that has access control in it. So the access control is not the main thing in it. And this is hard to understand, as well as some things are. Some inexperienced entrepreneur doesn’t get it immediately. Some are smart and understand social media for example and how things work. For some old fashioned people it is hard to understand, that we are aiming to support their customers and develop them and not just “Oh, you’re not our customer anymore, I guess you’re not coming anymore”. So that he could contact them and ask what went wrong. Or that people need to feel at home there.” (Entrepreneur of the ERPS company)

“…It is a challenge and we learn all the time. At first, we have learned that we should not talk about fitness tests because people have negative fears about them, especially the ones that need it do. When we talk about energy tests, energy index, measuring your wellbeing, this being interactive and moving forward all the time, you see what works and doesn’t. When you create something new, there’s always the challenge to teach people what it is and how you benefit from it. But we have learned that it is a term that means something to everyone. Being energetic means something to all of us.” (Entrepreneur of the testing company)
In general, entrepreneurs did not think that *price* was an important factor in the purchasing decision of their customers. They felt that usability and the fit to customer’s needs was more important that the price to the customer. Especially in the wellbeing business, entrepreneurs talked more about the value the innovation creates and not the price itself.

“…As I see it, it is the usability and the features, which help you to control things mean a lot. And then when you can add things and you can do so many things with it that control of everything in one place is what they want. I am sure you could build it from puzzles, but we build it all in one place, so you can control it, you have your tentacles in all directions. That is the thing that makes it easy to select us.” (Entrepreneur of the ERPS company)

“…Well, it is always important. If it is too expensive, you don’t buy it. But you can buy expensive things, but not too expensive. You have to think what you get out of it and what it solves. I don’t see it in a way that people only buy cheap. But if the product is worth the price and whether you want to invest in it.” (Entrepreneur of the modeling company)

Creation entrepreneurs in general were more *flexible* with marking the price to their innovations. Sometimes they were even willing to start from the amount the customer wants to invest in them and beginning the discussion based on that. In the end, it seemed that they were more interested in helping their customers than gaining a bigger profit.

“…We price it in a way that it doesn’t come directly from the hours we work but the value the customer gains. That’s where we start. Even from how much they want to invest and that becomes the price. What is the value to the customer? Then we start thinking about our pain spot and their pain spot and not that four hours costs this and seven hours is this much.” (Entrepreneur of the modeling company)

Most of the discovery entrepreneurs had no trouble marking the price their innovations. As long as their customers were able to see the *benefits* from their innovations, they believed that they could get the price they wanted. Making the customer’s life easier was their goal too, but rather than changing the price they made more effort in making the customer understand the full benefit of what they were planning to invest in.
“…Of course it is pretty important, but we don’t really have to discuss it or compete. In a way, maybe we have set the price quite where it should be. But mostly the customer needs to realize that this actually solves their problems and is easy to use.” (Entrepreneur of the testing company)

“…Well, it is something that always come up when we talk about sales. And some customers vanish when we talk about price and stuff. That’s why it is important that the customer understand what we are talking about. That this is not access control but customer relation control, which is more. This is a tool that the company can use and not just something that makes coming in and going out possible.” (Entrepreneur of the ERPS company)

All of the entrepreneurs had built relationships with other actors on the market. Most of the entrepreneurs were very close to the most important partners and some of them even had relationships with their competitors. In general, all entrepreneurs had built relations with actors who could somehow support their business. Some had companies manufacturing their physical product or retailers and some had acquired help in advertising or software that could be implemented in their innovations.

“…We have relationship to our customer and then there’s the retailer… And we buy some services like graphic design. We don’t have many technology partners… Oh, actually we do. Yeah, we do have technology partners. Partners and retailers and these, we have some, sure.” (Entrepreneur of the mobile company)

The most important relationships the entrepreneurs had were with those partners who were directly relevant to their business, which were customers, retailers, competitors or suppliers. None of the entrepreneurs felt that they had problems finding partners.

“…In a way all customers are partners. We treat them like it as they were our partners, long-term customer relations. And at the moment we are investing a lot in the retailing. – – We need companies like these, who have lots of customers and business relations and who are strong in retailing.” (Entrepreneur of the testing company)

There was no clear difference between the partnerships discovery and creation entrepreneurs had built. In general, all entrepreneurs had built partnership that they saw beneficial and had not had problems in finding suitable partners. All entrepreneurs understood where they need help and had found someone to help them
in it or were currently looking for one. All the partnerships thus aimed to increase the resources the entrepreneurs could access in their companies even though the entrepreneurs did not actively think it in that way.

Interestingly, most discovery entrepreneurs would have wanted to build relationships with distributors especially when they were aiming to extend their business abroad. Creation entrepreneurs would prefer to get more big customers like health center chains or consultants who would want to start using their innovations in a large volume.

“…If we think about a professional who would have specialized in cooperation negotiations or something. With this automation and continuity we can make her life easier and bring added value to their customers, so that partnering companies like these would bring us kind of retailers. So that you could become partners with consultants instead of seeing them as competitors.” (Entrepreneur of the motivation company)

Entrepreneurs did not necessarily think about the relationships in a way that they could bring more resources to their companies. Practically all entrepreneurs were struggling with having too little resources. Most of the entrepreneurs wanted to build relationships with retailers and distributors, but when talking about resources they needed, they were talking about internal resources like more staff in sales or more funding. Entrepreneurs saw resources mostly as people, machinery and funding inside the company borders and did not think about partnerships as a way to access new resources.

“…Maybe we need more people in marketing and sales. That’s in the end what brings customers and have time to visit them. It takes so much time that if there is no one who is doing only that, we might not be able to visit them. We need developers too and we are thinking about hiring someone.” (Entrepreneur of the ERPS company)

“…What we need most is someone to software development. If you think about the competition on the market, we are ahead in product development and that is our biggest advantage at the moment. We are further away than others but they can catch us fast if we are unable to developing enough.” (Entrepreneur of the imaging company)
Most important resources for the entrepreneurs were their workforce, knowledge and abilities. They also felt that they would have needed more resources in marketing and sales. Most of them felt that they were using the resources of their partners systematically. Especially entrepreneurs who understood the value the partners were bringing to their companies thought that they were systematically using the resources of their partners.

Entrepreneurs who did not have close relations with other companies did not feel like they were systematically using the resources of their partners. It seemed that if the entrepreneur had managed to establish a relationship with someone who was somehow supplementing their business or making them more visible to customers were the ones who were the most optimistic about their resources in general. This was the case for both discovery and creation entrepreneurs.

“…For example our retailer is doing a lot of marketing even though we made all the material ready for them. They gave us some feedback in how to develop it better so that it suits the aid device business better. So actually in some things, like in marketing, we are there with them at fair stands and they pay for everything. So they are doing a lot of work in sales. In sales, marketing and this stuff, we use their resources. Then again we pay attention to the product development and guidance in how to use our product.” (Entrepreneur of the mobile company)

Interestingly, almost all entrepreneurs were talking about the distribution of their innovations when they were talking about the relationships and resources they had. Almost all of the entrepreneurs were using direct sales in a way to distribute their innovations. As discovery entrepreneurs did not see any other way to distribute their innovations, creation entrepreneurs saw possible change in their distribution strategies in the future. Even though some of the innovations could have been distributed online, the entrepreneurs felt that it was important to their customers to be able to try their innovation before purchasing, which requires physical sales force.

“…We are developing it. Like I said, we try to be more visible and bring different channels to the sales too but we will not start using retailers. This is not something you buy from a store. It is not a French toast that you buy from the supermarket; you always have to think about that case specifically. So the product needs educated salesmen.
So preferably it would be our own salesmen going around Finland.” (Entrepreneur of the ERPS company)

“…Well, selling an online based service should either be sold only on the phone and in the best case scenario fully online. So we are aiming there that we could somehow make them hear about the service, get to know it, try it for free without hesitation and to learn using it and when they get enough bookings, we would start taking our part of those appointments.” (Entrepreneur of the booking company)

There was more variation in how the discovery and creation entrepreneurs perceived the laws and norms in the market. In general, entrepreneurs were optimistic about the legislation affecting their business and understood which laws they had to follow and how. Only one of the entrepreneurs saw the legislation system restricting their business. Instead, all entrepreneurs agreed that they wanted to change the law into something that would motivate people into entrepreneurship. So even the entrepreneurs, who saw that the legislation restricting their business, mainly wanted to make it easier to become an entrepreneur instead of changing things to their own benefit.

“…There should be an easier way to entrepreneurship. Something more motivating. Of course it doesn’t apply to us anymore, but to other people. I know people, who started their own business and in year and a half, they closed it down since they felt it doesn’t make any sense anymore. That you get more money, when you’re unemployed. That is not smart, there’s something wrong in it.” (Entrepreneur of the mobile company)

Then again, some of the entrepreneurs struggled understanding the norms of the market. Especially discovery entrepreneurs found it harder to see if there were any unwritten norms on the market, since they were so familiar with the constitutions of the market. Creation entrepreneurs emphasized honesty and openness towards customers as well as the importance of keeping promises.

“…There must be lot of them but when you have been on the market for so long, you stop seeing the big picture… I guess it all starts from understanding the industry and that you are a credible actor on the market. – – There must be a lot of them but it is really hard to think about them in all of a sudden.” (Entrepreneur of the imaging company)
Both discovery and creation entrepreneurs thought that they had a *dynamic and open working culture* in their company and most of them were investing a lot in it. They were flexible and expected their employees to be open and honest. None of the companies had stated values or guidelines for their employees, which is understandable in small companies.

“…I guess our business culture is quite open. We sit here at the office with our guys. There is actually no hierarchy here. We can all mock each other.” (Entrepreneur of the booking company)

“…It’s a man’s world here. It is positive. We have an experienced team, we have all been entrepreneurs before and you can see it in good and in bad. Maybe we need some young butterflies here to question what we do but you can see an extreme experience here. You haven’t had to teach anyone how to work.” (Entrepreneur of the insole company)

None of the entrepreneurs had clearly defined their *business model* and written it down. When describing their business model, entrepreneurs talked about whom they are serving, what the innovation is, how it brings value to the customers and something about the pricing.

“…Business model… Well that’s a hard question. We are a B2B company, selling something to companies selling to consumers. So we sell software, the products to health care companies which they can use as their booking and marketing system. And we also sell something called outsourced marketing to companies. Like if you are selling cars. We would do everything for that company.” (Entrepreneur of the booking company)

Discovery entrepreneurs were able to better describe their business model and thought that in the future, they would either develop their current offering or even *narrowing* it. Most of all they were aiming to do things better in the future and with a bigger volume. Creation entrepreneurs had clearly not thought about their current business model in detail, but they had a vision of what they were *aiming for* in the future. So it seemed that none of the entrepreneurs wanted to get stuck in strict business model planning and were open to see where the future would take them.
“…Now we are doing a lot of consulting and if we could decrease the amount of consulting, we could build a technology based product which could be easier to replicate. So our aim is to create a product that can be easily distributed and therefore we could grow fast. So we wouldn’t need so many work forces. That’s where we are heading.” ( Entrepreneur of the motivation company)

“…To be honest, I don’t want to sell insoles but healing. So that people would pay me to tell what they have to do and not pay for the insoles.” (Entrepreneur of the insole company)

4.3.3 Market perception

The overall market perceptions of how discovery and creation entrepreneurs perceived the market they were acting on are presented in figures 4 and 5. It was especially interesting to notice that neither discovery nor creation entrepreneurs acting on the eHealth market did not see themselves acting on a nascent, young market. They felt that their innovation was based on the already existing clinic health care and wellbeing markets and brought something new to those industries. So instead of creating a new market, eHealth technologies and solutions had developed the old existing markets e.g. software, wellbeing and health care markets in the minds of these entrepreneurs. This supports the findings of Storbacka and Nenonen (2011), who discuss market perceptions always to be subjective. Even though the researcher intended to focus on a single market, the entrepreneurs did not see themselves working on that market at all.

In general, discovery entrepreneurs were more confident about their business and its future compared to creation entrepreneurs, who were still looking for their place in the market and had not yet found all the uses for their innovation. Creation entrepreneurs were more doubtful of their business and whether they would be able to find their place in the future and to understand who their customers were ultimately. Alvarez and Barney (2007) discuss this matter on their research and see it to be due to the available information for discovery and creation entrepreneurs. Since discovery entrepreneurs are already familiar with the market, they have a better understanding on the possible outcomes of their innovation, where creation entrepreneurs often face a mismatch between their expectations and the reality.
Most of the entrepreneurs interviewed for this study had discovered their business opportunities and had experience on the market they were acting on. These entrepreneurs with prior experience on the market were more realistic about their abilities and goals on the market. They focused on problem solving, they were more down to earth and instead of listing problems they have, they talked about challenges and how they are coping with them. When entrepreneurs had created a business opportunity in a market that was not familiar to them before the opportunity creation, they found them harder to understand and saw problems in doing their business in the market. They discussed a lot how hard it was them to prove their customers that their product was good and worth the money. These entrepreneurs had clearly struggled a lot at the beginning and it had affected in the way they saw things.

The business opportunity recognition manner had an affect also on how the entrepreneurs perceived the market elements. So far, business opportunity recognition literature has not discussed the market elements in specific. In their research, Alvarez and Barney (2007) discuss the strategic planning, human resources, financing and marketing of business opportunities. This study brought more insight to how differently discovery and creation entrepreneurs see the market elements. As seen in the figures 4 and 5, the market perception of the entrepreneurs includes nine market elements instead of the original ten elements, since the entrepreneurs saw distribution channel as a resource or a relationship depending on which distribution method they used. The sentence in each market element presents the thinking of the entrepreneur in each recognition context.

For both discovery and creation entrepreneurs, demand and supply factors were in the core of their image of the market. So in the minds of these entrepreneurs, markets were ultimately built around the customer demand and market supply. These were the first two things that came to their mind, when thinking about the markets and all of their business was eventually effected the most by these two elements. Discovery entrepreneurs focused on thinking about the potential of the market and how it would grow rapidly in the future, since people were more interested in their health and the technology was enabling things that could not have been done before. Creation entrepreneurs thought more about the supply factor especially from the aspect of competitors: what are they doing better than we are and are we credible actors on the
market. This is something that had not been discussed in prior research on business opportunity recognition.

In general, all entrepreneurs were satisfied with their innovations and were constantly developing it to better fit their customers’ needs. They felt that they brought something completely new and fresh to the market, which made them different from the other products on the market. Yet there was a clear difference between discovery and creation entrepreneurs in how they perceived the future of their innovation. Discovery entrepreneurs thought that in the future, they would focus on a small niche market and could therefore decrease their offering. Creation entrepreneurs thought that their offering would expand, as they would find more possibilities to use their innovations.

The third market element, demand management was problematic for all entrepreneurs interviewed for this research. So far, the research has seen demand management to be easier to discovery entrepreneurs than creation entrepreneurs due to their prior experience (Alvarez et al. 2007). The entrepreneurs interviewed were concerned whether they had found the right way to explain the benefits of their innovations and if their customer would be able to understand the value they bring. Yet, discovery entrepreneurs were more determined in their demand management. They had found a way that suits them and even if some of them thought that they did not have enough resources to invest in demand management, they were at the moment doing it as well as they could. Creation entrepreneurs were struggling to find the best ways on how to communicate with their customers and were still looking for the best practices in demand management. They were trying new things and felt that their customers sometimes misunderstood their innovation. Also, creation entrepreneurs tended to directly contact those potential customers who they felt would benefit the most of their innovations and who had shown prior interest in them. So instead of actively trying to find new customers, they were concentrating on those customers who they knew were interested even if they felt that they had not found the full potential of their innovations.

The next element on the market was price. Instead of thinking the price of their innovation in customer’s purchasing decision, the discovery entrepreneurs saw that it
was crucial that their innovation fits the customer’s needs and as long as they were able to offer the best solution for their customer’s problems, they did not feel that the price of the innovation would stop their customers from buying their innovation. Some of the discovery entrepreneurs had never had to discuss the price with their customers and those, who had had discussions about the price, were able to convince their customers by explaining the extent of their innovation. Discovery entrepreneurs had set a fixed price for their innovation, which could be either one-time payment or based on use or licensing. Creation entrepreneurs were more flexible with their pricing methods and were willing to go as far as asking their customers what they would afford. Some of them thought that the price could not therefore be an issue as they were willing to sell their innovations rather cheaply.

So far, research has only discussed the human resource practices of discovery and creation entrepreneurs but not the overall resources the entrepreneurs need in the different opportunity recognition context (Alvarez & Barney 2007). This study found out that in general, both discovery and creation entrepreneurs were satisfied with the relationships they had with other market actors at the moment. They were able to find partners that could support their innovations and find them more customers. As discovery entrepreneurs wanted to have more partners in distribution of their innovations in the future, creation entrepreneurs wanted to gain more visibility and partners who could bring them more customers.

There were no clear differences between the discovery and creation entrepreneurs in how they perceived the next market element, accessible resources. Most of the entrepreneurs thought that they would have wanted to have more resources in especially sales and marketing. The most important resource for the entrepreneurs was the knowledge they had in the company regarding their innovation. Those entrepreneurs who had built close relationships with other market actors felt that they were actively using their partners’ resources.

It was interesting that most of the entrepreneurs talked about distribution channels, when they were thinking about the resources and relationships they had instead of seeing it as a separate market element. The distribution channel was either a resource if the company was using their own sales people to distribute their innovations and as
a *relationship* if they used retailers or other outside distributors. Discovery entrepreneurs did not see alternative ways to distribute their innovations in the future but wanted more volume in their sales especially when aiming abroad. They thought that their innovation was too complex to understand without the presence of a salesperson. Creation entrepreneurs thought that their sales would change in the future, as they would find more ways to use their innovation. They were more willing to distribute their innovations online than discovery entrepreneurs.

Similarly all of the entrepreneurs understood how *legislation* affected their business and most of them did not see it as something that would restrict their business. There was more variation in how the entrepreneurs perceived the unwritten norms on the market. Discovery entrepreneurs had *hard time specifying the norms* on the market, as they were so used to them. They clearly understood the norms on the market but were unable to specify them to someone not familiar with the market. Creation entrepreneurs emphasized the honesty and trustworthiness on the market. They thought that it was crucial for them to keep their customers satisfied and were willing to support their customers even on their free time, since losing their customers trust was something they would not have ever wanted to happen. Creation entrepreneurs thought that the *word of mouth* was powerful on the market and therefore their customers would most likely talk about them to other potential customers, which is why they did not want to risk their reputation.

In the end, *none of the entrepreneurs had written down their business model* or had made a lot of effort in thinking about it. Discovery entrepreneurs were better able to talk about the way they do business, but still they were mostly focusing on thinking how it would *narrow* down in the future. Creation entrepreneurs had a clear vision on where they were *aiming* in the future but had not thought a lot about the current business model their company had.
Figure 4. Market perception of a discovery entrepreneur
Figure 5. Market perception of a creation entrepreneur
Based on these findings, the theoretical framework (figure 3) is now revised. Figure 6 represents the effect of business opportunity recognition on entrepreneur’s market perception. Environmental, cognitive and motivational factors affect the entrepreneur’s business opportunity recognition along with the business opportunity itself. Business opportunities are either discovered or created. Discovery entrepreneurs have more concrete understanding of the market compared to creation entrepreneurs, who still struggle in finding their place on the market, which is presented in the figure as the arrows guiding to the market elements.

In the core of the entrepreneurs’ market perception are the demand and supply factors, which were the first two things coming to their mind when thinking about the market. Entrepreneurs saw the supply element as the competitor’s innovations and actions on the market. The entrepreneurs interviewed for this study saw the demand on the market to be sufficient and growing, which means that both discovery and creation entrepreneurs were optimistic about the demand element. After all, here was little difference how the entrepreneurs saw the two core market elements.

The surrounding seven market elements were something that the entrepreneurs recognized, but did not automatically think of when thinking about the market. The bolded words describe the discovery entrepreneurs’ perception of each element and the cursive present the creation entrepreneurs’ perception. Discovery entrepreneurs saw themselves specializing in the future and even decreasing their offering where creation entrepreneurs saw themselves increasing their offering when they found more ways to use their innovation. This affected both their perception of the object of exchange, their innovation and the way they thought about their business model. Even though the entrepreneurs had not written down their business model, they all could describe it based on what they were expecting in the future.
Figure 6. Effect of business opportunity recognition on entrepreneur's market perception.

As the figure 6 presents, the discovery entrepreneurs were more *determinant* with the ways they were doing demand management compared to creation entrepreneurs, who were *struggling* more with the ways they were communicating with their customers. As the creation entrepreneurs had not find all the possible uses of their innovations, it
reflected to their demand management; it was hard for them to find best ways to describe their innovation when they were not sure with whom they were communicating with.

All entrepreneurs had built relationships with other actors that supported their business. Entrepreneurs did not necessarily see the relationships bringing them new resources, since they concentrated in thinking about the resources inside their companies. In the original framework, the distribution channel was presented as one of the market elements but according to the entrepreneurs interviewed for this study, the distribution was either a relationship if the company used external sales people or a resource in case that the company used internal sales force. There were no clear differences in how the entrepreneurs perceived these elements.

Instead, there was a clear difference in how discovery and creation entrepreneurs priced their innovations. Distribution entrepreneurs had set a fixed price for their innovations, which could be based on licensing or use. Creation entrepreneurs were more flexible in their pricing; they were even willing let the customer decide how much she wants to pay for the innovation.

In the end, all entrepreneurs understood the norms and legislation affecting their business on the market and were able to explain them. In general, the discovery entrepreneurs had more troubles in explaining the unwritten market norms, since they were so familiar with the market that they could not specify what was expected from them. The creation entrepreneurs on the other hand emphasized the honesty on the market and they tried not to lose their customer’s trust in any situation. Yet, both entrepreneurs had similar idea on the norms and laws on the market.
5 CONCLUSIONS

In this last chapter, the study is summed up and the results of the study are presented. The theoretical contribution of the study is discussed along with the managerial implications. In the end of the chapter, the limitations of the study are discussed and suggestions for future research are presented.

5.1 Theoretical contribution

This study aimed to add understanding on how the entrepreneur’s business opportunity recognition manner affects her understanding on the market her company acts on. This study was continuing the entrepreneurial research on opportunity recognition and especially adding knowledge on the research of entrepreneurs’ market perception. The main research question of this study was:

*How the entrepreneur’s business opportunity recognition manner affects her perception of the market?*

This question was supported with two sub questions, which were the following:

*How do entrepreneurs recognize business opportunities?*

*How can market elements describe a market?*

The research answered to the first sub question based on the prior research. In their research, Alvarez and Barney (2007) had found business opportunity recognition manners, which were opportunity discovery and opportunity creation. In opportunity discovery, there is either demand or supply factor on the market before the entrepreneur’s business opportunity recognition (Buenstorf 2007). Entrepreneur uses his knowledge and skills on the market to spot gaps on the market, business opportunities, which she then pursues to start a business (Alvarez & Barney 2007).

Another way to recognize business opportunities is opportunity creation. In this context, the entrepreneur starts from his own cognitive skills and interests to build to
business opportunity. There is neither demand nor supply factor on the market prior the entrepreneur’s actions and while creating the business opportunity, she also has to create acceptance to her innovation. (Suddaby et al. 2015.)

To answer the second sub question, a broad literature review on market research scholars was performed to find the elements that affect the actions of a single actor on a market (Ulkuniemi et al. 2015). There were ten elements found based on the review, which were the following: demand, supply, object of exchange, demand management, price, relationships with other actors, accessible resources, distribution channels, norms, rules and laws on the market and the actor’s business model. Based on these findings, the theoretical framework of the study was constructed.

To answer the main research question, eHealth markets were studied based on the theoretical framework. There were eight entrepreneurs interviewed using semi-constructed research method. All of the entrepreneurs were acting on the market in either clinical health care or wellbeing business. This study aimed to find out how the business opportunity recognition manner affects the entrepreneurs market perception. According to Storbacka & Nenonen (2011), market perceptions are always subjective views on reality of things, which is why different individuals tend to have a different perception on the same thing. In their study, Alvarez and Barney (2007) discuss the effect of business opportunity recognition on entrepreneurs’ business. According to them, discovery entrepreneurs know better the knowledge and abilities they need for acting on the market and are better aware of the possible outcomes of their actions, since they built their business opportunities on prior knowledge of the market. Creation entrepreneurs seldom have a clear view of the future of the innovation and might even avoid strategic planning, since they might find it harmful for their business.

Based on the findings of the empirical research, the business opportunity recognition manner of the entrepreneur clearly affects her understanding of the market, which therefore support the findings of Alvarez and Barney (2007). Discovery entrepreneurs, those who had spotted a gap in the market, had a better understanding of the market and the elements of the market. They had established practices, which their companies followed and they were confident about their future. Creation
entrepreneurs were struggling to find their place on the market and especially to recognize the customer demand for their innovation. They were trying new things to see, which practices worked for them but they felt that they had not yet fully understood their potential on the market.

Both entrepreneurs had the demand and supply elements in the core of the market perception. They thought about supply from the point of view of competitor: what are they doing and are they doing it better than we do? All of the entrepreneurs thought that the supply on the market was sufficient at the moment, but in the future if they wanted to expand, they would have to go abroad.

Eventually, there were nine market elements in the entrepreneurs’ market perception instead the original ten elements. The entrepreneurs preferred to see the distribution channels as a relationship in the case that he used outside sales force in distributing the innovation and as a resource in case that he had hired sales staff.

Starting from the object of exchange element, the innovation itself, both entrepreneurs were satisfied with their innovation and constantly trying to improve it to meet the customers’ expectations. There was a clear difference in how the entrepreneurs saw the future of their innovation. Discovery entrepreneurs saw themselves decreasing their offering in the future as they would find a niche market and focus on that specifically. Creation entrepreneurs were expecting to find more ways to use the innovation and were therefore expecting to extend their market and customer base. According to prior research, this was expected since creation entrepreneurs rarely have fully understand the possibilities of their innovations and therefore the future of the innovation (Alvarez & Barney 2007).

This again had an effect on the next market element, which was the demand management. Since the creation entrepreneurs had not found all the use context of their innovations, they were struggling more with communicating the product with their customers. The creation entrepreneurs were not sure who they were ultimately serving, which made it harder to match the demand management to customers’ expectations. Discovery entrepreneurs were more determined with their demand
management and felt that they had found the ways that work for them and were planning to continue doing the same in the future.

Both discovery and creation entrepreneurs had built relations with other market actors that somehow supported their current business and brought them something they did not have in their companies. There were little differences in how the entrepreneurs perceived the importance and the type of relationships they had. Interestingly, the entrepreneurs did not necessarily think about the relationships as bringing resources to their companies. The way the entrepreneurs perceived the next market element, the accessible resources, was that the resources were something they had inside the company borders and did not actively try to gain resources by establishing new relationships. Only the entrepreneurs who had built strategic, close relationships to other market actors were the ones, who thought that they were using their partners’ resources actively.

Discovery entrepreneurs had also found a way to price their innovations that they found right and satisfying. They had set a price to their innovation based on licensing or use, which they were not very keen on discussing with the customer. Most of them did not even feel like there was anything to discuss concerning the price, since the customers had always been willing to pay it as long as their customers understood the value they brought to them. Creation entrepreneurs were more flexible with their pricing methods and were even willing to let the customer decide how much she wanted to spend on the innovation and the creation entrepreneurs would then find a solution that satisfied them both. This maybe due to the fact that creation entrepreneurs were more insecure on their innovations and the target market (Alvarez and Barney 2007), which also affects their pricing in a way that the entrepreneurs rather try to catch the customer than demand a certain price.

The remaining two elements were the norms, rules and laws on the market and the actor’s own business model. Both types of entrepreneurs understood the rules and laws affecting their business and were able to explain them to outsiders and most of the entrepreneurs did not find them restricting their business. As discovery entrepreneurs are normally familiar with the market prior to the business opportunity discovery (Alvarez & Barney 2007), it was harder for them to discuss the norms of
the market and what was expected from them with an outsider. The unwritten norms and expectations of the customers were something these entrepreneurs were so familiar with that they were unable to analyze them. Creation entrepreneurs talked a lot about trust and honesty and how the customers would vanish if their expectations were not fulfilled. As the creation entrepreneurs had so far found only a limited amount of customers, they wanted to make sure that they kept their word and would not get a bad reputation on the market, which could affect their future business.

Interestingly, neither discovery nor creation entrepreneurs had a clearly defined, written down business models. So far, prior research has only thought that creation entrepreneurs prefer not to plan their business too much and might find strategic planning harmful for their business (Alvarez & Barney 2007). The difference in how the entrepreneurs perceived their current and future business models was based on how they perceived their innovation, the object of exchange element. Discovery entrepreneurs aimed to find a niche market and possibly extend it abroad eventually when creation entrepreneurs wanted to find more ways to use their innovation and expand their target market.

So to sum up the findings of this study, discovery entrepreneurs are more confident and satisfied with their current situation and have a better understanding on the market. Creation entrepreneurs were still trying to find the ultimate customer demand on the market for their innovation, which is why they were more insecure of their business and also their place on the market.

5.2 Managerial contributions

This study helps an entrepreneur to understand how her business opportunity recognition affects her understanding on the market her company is acting on. As discovery and creation entrepreneurs start their business on different ground, the way the business opportunity is recognized has an effect on the entrepreneur’s market perception.

When entrepreneurs start their business based on their knowledge and skills on a specific market, they find it easier to understand the markets and their own position
on the market. When an entrepreneur has spotted a clear demand for her innovation, it is easier for her to start acting on the market even though would have no experience on the market. Prior experience on the market makes it easier for the entrepreneur to understand the market structures and to position her business on the market.

When the entrepreneur does not start her business based on a demand or supply factor on the market, she faces more difficulties in the market. She seems to struggle more in understanding the market structures and the elements on the market that affect her business. This is not necessarily something that an entrepreneur has to avoid. Instead, she should be aware of the fact that she needs to work harder to create the demand and acceptance for her products compared to discovery entrepreneurs.

This study also helps entrepreneurs to see, which elements affect her business on the market. The ten market elements found on this research can be used as a tool in observing any market. The way the entrepreneur perceives the elements is always a subjective picture of the reality around her, which should be taken as a reflection of the reality. When using the market element classification in observing the market an entrepreneur acts on, the entrepreneur can also think about the reasons she sees the elements on a specific way and which elements are the most difficult ones to describe. This might help her to understand her business better in the future and see where she wants to aim in the future.

5.3 Evaluation of the study and suggestions for future research

In this study, qualitative research method was conducted to better understand the research phenomenon. Qualitative studies are evaluated with the concepts of reliability and validity, even though there have been discussions whether the concepts are suitable for this matter. Yet, there have not been other commonly accepted evaluation methods for qualitative research, which is why these concepts are still used. (Koskinen et al. 2005:255–256).

According to Koskinen et al. (2005:255–258), qualitative research is reliable if the results of the research can be proved by repeating the study. This should still not be
taken literally, as the results may still vary to some extent especially when different personalities tell their opinions in their own words. Also, there should be enough information provided to the reader to understand how the study was conducted and the reasons behind the selection of methods. According to this criterion, the reliability of this study is ensured by presenting enough information about the selected research method, the data collection and the analysis of the results.

Validity of the research refers to the accuracy of the results and arguments of the research. Validity can be divided into internal and external validity. Internal validity refers to the logic and harmony of the research. External validity on the other hand means that the research should be generalizable into other context. (Koskinen et al. 2005:254.) The researcher aimed to ensure the internal validity of the research by utilizing versatile literature on the research phenomena when creating the theoretical framework. The interviews were designed to answer the research questions based on the theoretical framework. The external validity of this research is limited, since the study was conducted as a single case study focusing on one market and the entrepreneurs had rather young companies. The external validity could have been increased by studying multiple markets and entrepreneurs in different stages of entrepreneurship.

According to Alasuutari (2011:231) it is often hard to generalize the results of a qualitative research, since it aims to deeply understand a single phenomenon. The results of this study should not be generalized unconditionally. There were only eight people interviewed for this study all acting on a same market, which is why some of the results might be inapplicable to other markets. Still, taken into account the time and resources available (Ghauri & Grønhaug 2005:118–110), the case study was suitable for the purposes of this study. Taken into account the limitations of this study, there were still interesting results found on how the entrepreneur’s business opportunity manner affects her understanding on the market.

This study focused on the effect of business opportunity recognition manner on the entrepreneur’s market perception. The effect was studied with the case study method on eHealth markets. In the future research, it would be beneficial to study the research phenomena on a different market and whether it differs from the results of
this study. For example, studying entrepreneurs who have a similar innovation on the same market might present different results.

The eHealth market that was observed in this study was seen as a nascent, young market, which was still developing. Future research could study whether the entrepreneurs market perception changes over time, when they have gained more experience on the market. It would be interesting to see whether the perception of these entrepreneurs would have changed in future and whether the entrepreneurs managed to reach the goals they had.
REFERENCES


DIGITAL REFERENCES


APPENDIXES

Appendix 1. Structure of the interviews

**Influencing factors**

Kerrotko hiukan yrityksestäsi?
Kerrotko aluksi taustojasi ennen yrittäjyyttäsi?
Mikä sinua alun perin motivoi lähteä yrittäjäksi?
Millainen ympäristö Suomessa on lähteä yrittämään? Entä Oulussa?
Miten tunnettu yrityksenne tällä hetkellä on?
Millaisena koette yrityksen tulevaisuuden? Mitä yrityksen odottaa tulevaisuudelta?

**Business opportunity recognition**

Mistä yrityksesi liikeidea lähti liikkeelle?
Mitä yrityksesi siis käytännössä tekee?

**Actor’s business model**

Millainen on yrityksen liiketoimintamalli?
Miten teidän yritys tuo lisäarvoa asiakkaille?
Kehitys tulevaisuudessa?

**Market elements**

Mitä sinulla tulee mieleen, kun ajattelet markkinoita, joilla yrityksesi toimii?
Millaisia riskejä näet näillä markkinoilla toimittaessa?

**Customer demand**

Minkä asiakkaan ongelman tuote/palvelu ratkaisee?
Millaiseen asiakastarpeeseen tuotteenne tai palvelunne vastaa?
Miten olette selvittäneet asiakastarpeita? (Onko tehty pilottia? Markkinakokeiluja?)
Millainen kysyntä tuotteellenne tai palvelullenne on?
Ketkä ovat asiakkaitanne?
Miten näet kysynnän kehittyvän tulevaisuudessa? Mihin suuntaan menossa nykyhetkestä?

**Object of exchange**

Mitä yrityksenne tarjoaa asiakkailleen?

Millainen tuote tai palvelu yrityksellänne on? Miten se eroaa muista markkinoilla olevista tuotteista / palveluista?

Missä bisneksessä omasta mielestänne toimitte?

Millaiselle kohderyhmälle tuote on tehty?

Miten aiotte kehittää tarjontaa tulevaisuudessa?

Millaisena koet tuotteesta/palvelusta viestimisen?

**Supply / competition / alternative solutions**

Mitkä ovat tuotteenne/palvelunne kilpailijoita?

Millainen kilpailutilanne markkinoilla on tällä hetkellä?

Miten eroatte kilpailijoista?

Miten näet kilpailun kehittyvän tulevaisuudessa?

**Relationships among actors**

Millaisia kumppaneita yrityksellänne on? Mitkä ovat tärkeimiä?

Millaisia kumppaneita tarvittaisiin?

Millaisena koette suhteenne kilpaileviin toimijoihin?

Entä millainen suhde teillä on asiakkaisiin? Miten hoidatte asiakassuhteita?

**Price**

Mikä on asiakkaanne ostopäätöksessä tärkeää?

Miten hinta vaikuttaa asiakkaan ostopäätökseen?

Kuka tuotteesta maksaa? (Onko se siis asiakkaalle ilmainen, tuleeko tuotto esim. mainoksista?)

Miten hinta muodostuu?

**Demand management**

Miten asiakkaanne kuulee tuotteestanne/palvelustanne?

Miten markkinointite tuotteita asiakkaille?

Eroaako markkinointinne kilpailijoiden tavasta markkinoida? Miten?

Mitä aiotte tehdä tulevaisuudessa?
Place / Distribution channel

Millaisia myyntikanavia yrityksen käyttää?
Miten yrityksen myy tuotetta/palvelua?
Mitä aiotte tehdä tulevaisuudessa?

Accessible resources

Miten kuvalisit yrityksen resurseja?
Mitkä resurssit ovat tärkeimpää?
Miten hyödynnette yhteistyökumppaneiden resurseja? Miksi?
Mitä resurseja kaipaisitte? Millä tavoin niitä voisitte hankkia?
Mitä aiotte tehdä tulevaisuudessa?

Norms of action

Millaiset lait vaikuttavat yrityksen toimintaan? Miten ne vaikuttavat?
Millaisia ”kirjoittamattomia sääntöjä” näette markkinoilla olevan?
Millainen yrityskulttuuri teidän yrityksessänne on? Millaisia vakiintuneita toimintataapoja yrityksellä on esimerkiksi asiakkaiden kanssa?
Millaisia muutoksia lainsäädäntöön toivotte tulevaisuudessa?