Turning Entrepreneurship Research Findings Into Practical Action Guidelines: The Example Of Opportunity Assessment

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ABSTRACT
It is argued that entrepreneurship researchers do not place sufficient emphasis on making their research findings relevant to entrepreneurs and their advisors. The paper provides a specific example demonstrating five general principles that can be used to turn a complex range of entrepreneurship research findings into useful action guidelines for practicing entrepreneurs. The existing research-based knowledge concerning opportunity assessment is distilled into a diagrammatic framework. This framework and a sequence of ten, plain-English questions, provides entrepreneurs and SME operators with a tool for discovering, evaluating and exploiting entrepreneurial opportunities.

Key words: entrepreneurship; entrepreneurial opportunities; guidelines

INTRODUCTION
Someone once described the process of publishing double-blind, refereed, academic journal articles as ‘the long wait for yesterday’s insights’. When the insights finally arrive, the required method of expressing them often results in publications that non-academics find unreadable. The focus and emphasis in academic work – basically a quest for falsifiable truth – often seems to contrast with the urgencies of a business-oriented audience. Practitioners are interested in output not process, and in utility through being able to apply knowledge presented in a form that contributes to efficiency and profitability. This perspective seems to be a long way from scholastic altruism. However, if the communication gap between scholarly publishing criteria and practitioners’ information needs could be transcended, the benefits to both parties would be substantial. For practitioners, the insights from well-conducted research, if presented appropriately, are far more likely to have commercial and operational value than many a ‘guru’ remedy. These recommendations tend to be simplistic, popular prescriptions that lack both theoretical rigor and empirical justification. We scholars who are committed to research based on the best traditions of independent scientific inquiry, tend to scorn the guru’s crudity and the practitioners credulity. But we fail to offer anything in its place other than the invitation for lay people to plough laboriously into our arcane journals. This invitation is not attractive and not accepted. The hiatus between researcher and practitioner grows wider.

For scholars, there is a crass but urgent motive for redressing this situation. If practitioners in the ‘real world’ completely lose faith with the relevance of our research, it may become impossible to conduct any. There will be no incentives for entrepreneurs and their firms to provide access to data for inquiries that are deemed to have no practical value. It is my view
that all theory – even the ‘purest’ – can be made ‘theory for practice’s sake’ because the best current theory in any given field is simply the best explanation of the known facts. And good explanations are intrinsically useful.

In entrepreneurship, as in most fields of human endeavor, there is a perennial need to try to make research findings readable by and useful to practitioners. Unfortunately, for academics, there is very little incentive to do so because academic journals do not look kindly upon articles seeking to explain or popularize existing research for a lay audience, rather than creating new insights for an academic audience. So, the urgent need is seldom fulfilled. The first result is that research of potentially high utility to practitioners simply does not reach them. The second result is that practitioners come to regard academic research as irrelevant when it is not.

This paper is written in the belief that, of all disciplines, it is academic entrepreneurship that ought to be at the forefront of efforts to turn research results into tools that practitioners can use. The more ‘applied’ (as distinct from ‘pure’) a research field is, the more it behoves its scholars to make their work accessible to and usable by practitioners. There are no fields more fundamentally ‘applied’ in their nature than entrepreneurship. It is about people who ‘make things happen’. Scholars who fail to ‘help the happening’ are failing in their duty. Accordingly, the aim of this paper is to demonstrate some principles that can be used to turn a complex body of entrepreneurship research findings into a useful tool for practicing entrepreneurs.

The following section of the paper provides one, specific example: a suggested practical regime for assessing entrepreneurial opportunities. This is followed by an articulation of the five general principles embodied in the specific example. The concluding section discusses the implications of the general process for entrepreneurship scholars, entrepreneurial practitioners and the relationships between them.

**EXEMPLAR: A SUGGESTED PRACTICAL REGIME FOR ASSESSING ENTREPRENEURIAL OPPORTUNITIES**

**The Research Evidence: Opportunity Assessment Is At The Heart Of Successful Entrepreneurship**

The formal entrepreneurship research literature and most expert informants interviewed in the *Global Entrepreneurship Monitor* study (Reynolds et al 2004, *passim*) talk a lot about how important it is for small and medium enterprises (SMEs) to ‘manage the process of opportunity assessment’. But the question remains: *How* can this be done – especially by small firms with extremely limited time and resources who feel it is a struggle just to meet the every-day demands of running a business? In an ‘Action Focus’ Section of the Westpac GEM Australia 2003 research study (Part Four of Hindle and Rushworth 2004) I provided nascent entrepreneurs and SME owners and managers with a suggested method for assessing entrepreneurial opportunities in a systematic, time-effective manner. The opportunity assessment process can be represented by combining a flowchart of key concepts, with a sequence of ten, plain-English questions (see figure 1).
The combination of flowchart (summarizing the relevant research in the field) with a structured interrogation provides nascent entrepreneurs and SME operators with a tool for discovering, evaluating and considering the best ways to exploit entrepreneurial opportunities. The regime is offered as a specific example of the way in which research findings might be returned to practitioners of entrepreneurship as practical guides to action.

In four years of detailed research by the team conducting the Global Entrepreneurship Monitor, Australia Project (see Hindle and Rushworth 2004, passim) one issue has been consistently prominent. It occurs both as an area of deep concern among the experts interviewed and as a valid inference from the quantitative population surveys conducted. The issue involves three key aspects of entrepreneurial capacity: the ability of firms – especially smaller firms lacking abundant resources and strategic sophistication - to discover, evaluate and exploit entrepreneurial opportunities.

*Entrepreneurial opportunities are those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of production.* (Casson 1982).
There is an essential distinction between specifically entrepreneurial opportunities and the larger set of all opportunities for profit – especially those concerned with enhancing the efficiency of existing goods, services, raw materials and organising methods. The key difference is that entrepreneurial opportunities involve the discovery and evaluation of new relationships between means and ends. This is quite distinct from improvement or optimisation within existing means-ends frameworks. Most management textbook tools, techniques and guidelines aim to help managers to do existing things better. Entrepreneurial opportunities are not about doing existing things better: they are about doing entirely new and different things and/or achieving outcomes in entirely new ways. Opportunity assessment is so much at the heart of entrepreneurship that many entrepreneurship researchers, worldwide, accept the opportunity-based definition provided by Shane and Venkataraman (2000: 218):

*We define the field of entrepreneurship as the scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited.*

After a very brief discussion of the theoretical framework embedded in this definition (basically, turning a large volume of research into the small flowchart embodied in figure 1) I will indicate how theory and the fruits of ‘scholarly examination’ can be turned to practice. This produces a simple system, which even the smallest and most resource-poor businesses can use as a strategic tool to discover and evaluate potentially profitable entrepreneurial opportunities.

**The Entrepreneurial Opportunity Framework**

The left-hand half of figure 1, above, is a stylised flow-chart of the relationship between the four key attributes of opportunity: existence; discovery; evaluation and exploitation. I have developed the flow chart largely from the theoretical relationships described in the seminal article by Shane and Venkataraman (2000, *passim*). These authors used only words to summarise a great many research findings concerning the nature of entrepreneurial opportunity. My flowchart summarizes these many findings as a logically linked framework.

First, in research jargon, the theoretical *existence* of entrepreneurial opportunity depends on ‘economic disequilibria’ and ‘asymmetries of information’. Simply put, this boils down to the fact that, because of market imperfections, potential profit opportunities exist whether anyone sees them or not. So, what is critical is the ability of different people (with different ways of viewing the world) to see relevant opportunities in different aspects of various situations. The key practical issue for any SME management, consciously seeking to recognise entrepreneurial opportunities, is to find a way to scan the environment adequately, quickly and cheaply.

Second, the *discovery* of entrepreneurial opportunity results from a combination of an entrepreneur’s prior knowledge and his or her cognitive properties (the way he or she thinks). The leading theorist of entrepreneurial discovery is James Fiet, Professor at the University of Louisville in the United States (Fiet 2002: *passim*). Many years of research in the area of the nature of entrepreneurial opportunity have revealed some generic factors that tend to make some opportunities of ‘higher value’ than others. These factors include: large demand; high industry profit margins; technology life cycle is young; competition density is middling
(neither very high nor very low); and cost of capital is low. Research has also indicated several areas of individual difference that recurrently contribute to different perceptions of the value of an opportunity. These include differing perceptions of: personal opportunity costs (for instance loss of leisure time may mean more to one person than another); resource cost differentials; prior relevant experience (for instance, it is very hard to perceive and rate a software opportunity if one has absolutely no experience in that industry); and transferability of experience. From the point of view of an individual firm, the key practical issue here is to discover something that we know - and nobody else does – that is highly valuable to identifiable customers.

Third, evaluation of entrepreneurial opportunities is a function of two things. There is the nature of the opportunity (for instance the opportunity to produce and market a new piece of technical software is intrinsically different from the opportunity to open a sandwich bar in an under-serviced high-rise office building). And there are pronounced differences between individuals (some people just are not interested in software or sandwiches – and some people are). The key practical questions here are: can a profitable way (business model) be developed to exploit the opportunity and is our firm (or some other) the best organization to implement it.

Fourth and finally, the mode of exploitation of an entrepreneurial opportunity must be considered. Should it be: rejection (the decision not to exploit); the creation of a new venture; or the use of existing organizations (either selling the intellectual property to an external organization or developing it in an existing organization of one’s own)?

Starting Scenarios

The suggested method for systematically assessing entrepreneurial opportunity is, essentially, a sequence of questions (see right-hand side of figure 1, above) related to the opportunity framework (left-hand side of figure 1). The issue now arises: in what context should these questions be asked? By whom? How often? What priority should be given to asking them? There is potentially a vast number of possible contextual scenarios, based on limitless variables, for an infinity of firms desiring to conduct a systematic search for and evaluation of entrepreneurial opportunities. For instance, a large SME with abundant resources in a highly volatile, technical market may have a formal opportunity-search division, with full-time, dedicated staff, in constant activity. A very small SME in a relatively stable market place would monitor the environment less often and apply less formality and fewer specialised resources in doing so. For what follows in this article, I provide, for illustrative purposes, just three imagined starting scenarios. All are very loosely conceived and general in nature.

Scenario one

A couple of software developers who have known each other since university and worked together from time to time for various employers have an idea for a software product and are considering going into business together to develop it. They are both working full time, so they are researching the opportunity in their spare time and agree to meet once a week over a takeaway meal at each others homes to share what they’ve learnt and try to put together a business plan.
**Scenario Two**

This is the famous ‘Friday afternoon sales meeting and wrap-up’ in a small firm of about 20 employees in an industry not specified. A brief wrap-up of the week’s activities has concluded. Attention now turns to the issue not of what we have done and are doing: but to the issue of what we could be doing. Are there any opportunities for making the firm better and stronger for everyone who works in it? Everyone has a copy of the flowchart, a list of 10 key questions and is comfortably seated (beverage firmly in hand) facing a white board where good ideas can be quickly captured.

**Scenario Three**

The context envisaged here is of a larger SME with well-developed and more formal systems of corporate governance and management. It is a regularly scheduled meeting involving the CEO, the heads of all functional departments – sales and marketing, accounting and finance, human resources, information technology – and as many other key employees as are deemed relevant. This company has a conscious policy of opportunity management and this meeting has been prefaced by a process of short-listing opportunities. Pre-evaluations have been conducted by appropriately trained personnel. The opportunity evaluation committee members come to the meeting carrying well-annotated copies of a thorough set of briefing notes that each have received well in advance of the meeting. There has been a great deal of pre-meeting informal discussion among participants and they all possess a high degree of formal training in the skills of opportunity evaluation.

**Your starting scenario?**

In reading what follows, business practitioners will make their own minds up about the degree of formality, structure, training and preparation that might be relevant to their own circumstances. The opportunity assessment method presented here should be regarded as indicative, not prescriptive. It is painted with a very broad brush and provides a mere sketch of possibilities not a portfolio of detail. Nevertheless, I hope to convey the core message that development and execution of a systematic process of opportunity management, based on the combination of principles and key questions I provide, is not beyond the reach or the purse of virtually any size of SME that has a genuine commitment to innovation and well-managed growth. For individuals about to launch a new venture from scratch, it provides a systematic assessment method that should save them from predictable mistakes and put them in a better position to cope with the inevitable uncertainties of new venturing.

**A Practical Strategy For Assessing Entrepreneurial Opportunity**

Space clearly limits capacity to illustrate the strategic possibilities of the following ten-question regime with reference to many and varied examples. So, reliance is placed upon the imagination and business experience of readers to envisage just how an application of the particular question to their business circumstances might yield fruitful results. The key idea in the sequence of ten questions is simply that it is a sequence. If you get a negative answer to any question in the list at any stage of the process, then you stop! You can be reasonably assured that the opportunity is not suitable for your firm. For instance, you might get as far as question three which asks: **What** do we **already** know about this potential opportunity that is **different** from what everybody else knows? And mature reflection quickly confirms that your firm has no pre-existing knowledge that is in any way unique and getting such knowledge is
likely to cost more in terms of time and effort than is affordable. The investigation of that particular opportunity is now over. There is no need to even consider questions four through to ten.

So here, very briefly stated, is a regime for opportunity evaluation laid out as ten sequential questions related directly to the core elements of opportunity assessment as revealed by research and represented in figure 1.

Two ‘Existence’ Questions
The investigation can begin by asking two deceptively simple questions:

**Question 1**, What’s going on out there?

and

**Question 2**, What’s changed since last time?

These questions are traditional staples of end-of-week or end-of-month reporting by sales people from the field, but participation should not be limited to sales or marketing or any category of personnel, nor to perceptions of existing market areas. For instance, someone in the production department might have been reading about some laboratory applications of some new technology and thinks that this offers the possibility of producing a radical product with high potential appeal to a defined group of customers. Now is the time to discuss it. The fundamental purpose of the ‘existence’ questions is to pick up early indications of any trends, events or behaviours (by customers, potential customers, competitors or suppliers) away from any aspect of ‘business as usual’. Any item that emerges positively from discussion of these two questions is listed, very broadly, as a potential opportunity for the market at large (but not necessarily our firm) and consideration proceeds. The next two questions seek to discover whether broad potential for someone can become focused potential for us.

Our two budding software entrepreneurs (scenario one) should be looking at what is going on and what is changing in the market they believe their product will address.

Two Discovery Questions
The two key discovery questions are:

**Question 3**, What do we already know about this potential opportunity that is different from what everybody else knows?

**Question 4**, How can our distinctive competencies add a perspective that creates value for both a customer and us?

The essential concepts here are matching and feasibility. For instance, no matter how strongly it exists in the market place and no matter how well our firm perceives it, is unlikely that the opportunity to manufacture a new type of motor car is a viable opportunity for a company not already in either the established automotive industry or an industry allied to the alternative technology upon which the new vehicle will be based. We need to match our distinctive capabilities to a feasible plan for creating customer value.
By the time people reach question 4, a firm’s investigation of a particularly appealing ‘candidate opportunity’ may need to go well beyond the boundaries of the Friday afternoon meeting (scenario two), the initial evaluation session (scenario three) or the informal weekly catch-up over take-away (scenario one) with which we started. It is unlikely that adequate justice can be done in either environment to the task of matching what aspects of our distinctive competence can be allied to customers’ value perceptions and needs. And as the questions get more complex, the time and resource required to answer them will increase proportionately. In a firm that has sufficient resources (such as scenario three), it may be deemed worthwhile to appoint a sub-group to investigate in depth and produce a mini-report at future time and for a different audience. We may need to do some market research. And so on. The important thing for this narrative is to elucidate the principles involved in the process – not to try to anticipate the exact details of how the process might be carried out by particular firms in particular circumstances. That would be impossible. At every stage of the process it is assumed that the firm will be capable of determining both the extent of investigative effort required and whether the potential yield of further investigation is worth the effort in time and resources.

Two Evaluation Questions

**Question 5.** Is it possible to create a viable business model?

In prevailing business jargon, there is possibly no bigger buzzword or no worse defined concept than ‘business model’. It can mean many different things to many different people. With practicality and brevity in mind, I offer the following succinct definition. As far as I know, the definition is original to me. The space and focus constraints pertaining to the current paper forbid my making a tangential foray into the literature of business models. But, based as it is on deep reading in this field, I am confident that the definition offered should be reasonably uncontroversial. “A business model is a well-articulated plan for turning effort into profit using identified resources and stakeholders”.

This is precisely what I recommend that your firm needs to do at this stage of its opportunity evaluation. It might take minutes (unlikely). It might take months. But no ‘opportunity evaluation’ is worth the name if it falls short of the key task of demonstrating how the service of customer needs in a particular way will produce reliable profits in a demonstrable way. If you can’t come up with a viable business model, on paper, or are unwilling to make the effort or you make the effort but the profits do not emerge in the plan, then this alleged opportunity fails to pass the assessment criteria.

**Question 6.** Who could best implement it?

Suppose your investigation produces a brilliant business model: the blueprint of a well-designed money machine. The question of feasibility again raises its constantly obtrusive head. Brutal honesty is the order of the day. Maybe we in our firm could implement this business model, but – supposing they knew about it – are there any existing organizations that could implement it better than us? Whatever the answer to this question, if you have got this far in your investigation, there is no doubt that you have discovered a genuine entrepreneurial opportunity, that may be profitable even if you don’t decide to execute all or any of it yourself.
You have reached the stage of needing to consider, systematically, how to exploit the entrepreneurial opportunity.

**Four Exploitation Questions**

**Question 7.** Is this one for us?

**Question 8.** If ‘yes’ do we entrepreneur (corporate venturing) or intrapreneur (do it in house)?

**Question 9.** If ‘no’, can we sell the business model or any other intellectual property?

In the case of our two software entrepreneurs (scenario one), they might be able to persuade an existing software development firm to hire them to set up a new division based on their software product idea, and might even give them an equity stake in the business.

Answers to these three questions are clearly matters for judgement contingent upon circumstances. So, there is little scope or need for advice, in this article, on how to answer them. Many firms get this far but fail to consider the tenth and final question recommended in this opportunity assessment regime.

**Question 10.** If we reject the opportunity but somebody else spots it and implements, how much will this hurt our existing business?

As a conclusion to your evaluation of any entrepreneurial opportunity, force yourself to consider the implications if someone takes up an opportunity you decide to reject. The dark side of opportunity is threat. Never mind ‘profits foregone’, if someone else recognises and acts on this opportunity, their innovation may threaten your existing business. There is a clear historical example in the electronics industry. Many companies producing transistors knew a great deal about the potential of silicon chips but consciously decided to reject the entrepreneurial opportunities involved. They were wiped out. Ironically, some of those now defunct transistor companies once were innovators. They owed their initial success to not rejecting the entrepreneurial opportunities of new technology (transistors) when diode-valves were the state of the art. Nothing could better illustrate the need for any firm with an interest in future growth to spend some of its valuable time upon regular and systematic search for entrepreneurial opportunities and their implications.

**POTENTIAL BENEFITS OF THE REGIME**

The ten-question regime presented in this action focus does not pretend to be a ‘tick-the-box’ or ‘turnkey’ solution to every firm’s need to search and evaluate entrepreneurial opportunities. It is a stimulus and aid to hard thinking in this vital area – not a substitute for it. But, in the hands of sensible venture managers, the method can serve as a tool of practical strategy. If you want to assess opportunity in a systematic way, you can begin by conceiving of entrepreneurial opportunity in its framework environment (figure 1, above) and then use the ten suggested questions as a strategic review regime. Any firm – or individual contemplating a new venture – can use this method to develop the habit of constantly monitoring the business environment for entrepreneurial opportunities and evaluating their potential in a systematic manner. It seems a reasonable to claim that acquisition of that habit creates some danger of earning a large profit from a small effort.
GENERAL PRINCIPLES EMBODIED IN THE EXAMPLE

The specific example presented in the previous section illustrates my contention that there are five general principles involved in turning entrepreneurship research findings into practical action guidelines for practitioners.

1. **Aggregate findings into as few key concepts as possible**

In the example, Shane and Venkataraman’s (2000) article was itself an aggregation of the majority of a very substantial body of quite disparate research findings. My flowchart reduced their article still further, to a focus on four key concepts.

2. **Turn key concepts from words into pictures**

When producing action guidelines for practitioners to follow, a picture really is worth a thousand words. In the example, Shane and Venkataraman’s (2000) article did not contain one diagram. It was all words. In this case, the flowchart (left-hand side of figure 1) provides an effective pictorial reduction of a great deal of information that, in an action context, would be impossible to absorb or convey effectively by words alone.

3. **Link key process instructions directly to key concepts**

In the example, the key process is represented by a four sets of questions, each directly related to the four key research-based concepts represented on the flowchart. Not every process in every field for which action guidelines are offered will consist of asking questions. Indeed, most action process guidelines are likely to come in the form of specific ‘how to’ instructions. But the principle is well illustrated in the example. Tie process instructions directly to key research concepts.

4. **Provide application scenarios that are indicative but not prescriptive**

Brief contextual scenarios are very helpful in getting recipients to ‘see the light’: to give that vital ‘… Ah ha! I see!…’ response indicating that they can envisage just how your action recommendations might be made applicable to their particular circumstances. Suppose for a moment that, in the example, the three indicative scenarios had not been provided. The action guidelines would then exist in a void. As disembodied instructions they would be like ten commandments, intoned from the clouds, by an authoritative voice, but potentially falling on deaf ears. The trick is to sketch as few scenarios in as little detail as is just sufficient to convey the flavour of application possibilities without trying to provide a full meal for every palette. You want to stimulate readers’ imaginative capacity to fill in the relevant details for themselves.

5. **Keep guidelines broad, allowing room for provision of detail dependent upon resources and circumstances**

‘Guidelines’ is a key word. When academics have the temerity to offer practical advice to entrepreneurs and their advisors we should tread warily and not try to cover all of the territory in massive detail. The task is to indicate broad possibility: not to build detailed
consulting tools. Using an analogy from the construction industry, the guidelines I suggest that we can offer are closer to the architect’s first sketch of a building than to the detailed set of blueprints handed to a builder.

CONCLUSION

I hope that this paper indicates both the possibility and the value of turning the findings of entrepreneurship research into action guidelines that can help practitioners improve performance. For researchers who ‘know their stuff’ it will not be difficult to apply my five recommended general principles to the production of a wide range of potentially useful operational tools. The difficulty is not doing it: it is in seeing the merit of doing it. There are many non-academic periodicals in the world that are well read by entrepreneurs and that would welcome well-written ‘how to’ articles from credible authors. But academics receive no professional credibility whatsoever for writing such articles in such publications. So we don’t do it.

Every profession has duties as well as rewards. As entrepreneurship researchers, we must ensure that the best of our hard-won wisdom does not find its beginning motivation and final resting place in the pages of arcane journals that practitioners never read. If every entrepreneurship researcher committed, say once every two years, to write a ‘how to’ article for the popular or professional press, it would significantly enhance the status of the research community in the eyes of practising entrepreneurs, adding power to their arms as they do the heavy lifting involved in keeping the economy dynamic and productive. Providing this service to the community we study is not currently seen by most entrepreneurship academics as part of our job. It should be.
REFERENCES


