Creating ventures: decision factors in new venture creation

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Abstract

Purpose – The purpose of this pilot study was to identify the key factors that influence the decisions of entrepreneurs who are considering the creation of a new venture. The pilot was conducted to explore the cognitive antecedents of entrepreneurial decision-making and whether specific factors contribute to the decision to create a new venture.

Design/methodology/approach – The study utilised an inductive and interpretive research design within a constructivist paradigm. The sample comprised entrepreneurs situated in a business incubation unit who engaged in a series of semi-structured interviews. The results of this study will be used to refine the questions asked in preparation for a larger sample using in-depth interviews with identified entrepreneurs. The resulting narrative in this pilot was subjected to discourse analysis and is categorised into relevant themes.

Findings – The findings in this pilot study reveal that factors such as technological advancement, market opportunity, competition, customer demand and prevailing market conditions have a significant influence on the decision-making process involved in creating a new venture.

Research limitations/implications – Although the pilot has identified several factors in entrepreneurial decision-making, further work will be needed in the research design to be able to expose the cognitive processes associated with each factor. The aim is to identify the common cognitive characteristics associated with thinking through the decision to create a new venture with a much larger sample of entrepreneurs.

Originality/value – The value of this research lies in exploring and developing a better understanding of the antecedent cognitive processes used by entrepreneurs for identifying unique, innovative new ideas and converting them into exploitable products or services through new venture creation.

Keywords Opportunity identification, Entrepreneurship, Decision-making, New venture creation

Paper type Research paper

Introduction

The current focus on globalisation and the rapid development of technology have vastly improved the potential for new venture creation. Small business and new ventures have long been considered economic indicators of a nation's economic health and prosperity (Hatten, 2006; Hoelscher and Elango, 2012). The increasing awareness of global markets

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and rapid market expansion has served to create a wide and varied range of new potential which allows businesses to expand their scope of operations across international borders (Knight, 2001; European Commission, 2011). The increasing pace of technological development has furthermore significantly improved the potential for new venture creation. Together, globalisation and technology have enabled the positive development of economic conditions, increased benefits and raised employment levels in domestic markets throughout the world (Barba-Sanchez and Atienza-Sahuquillo, 2011).

Many of the countries listed in the Organisation for Economic Co-operation and Development have initiated programmes that support the development and creation of small- and medium-sized enterprises (SMEs). Several governments, such as those in Japan, Iceland, New Zealand, UK and Germany, have formal policy-driven programmes dedicated to supporting new venture creation and SME development (OECD, 1996). The focus for many of these government initiatives is primarily on new ventures, which are given the chance to establish and expand operations by focusing on their particular innovative capabilities and performance. This has come about by governments focusing on enhancing business capability towards recognising and adopting new technology, as well as reducing uncertainties associated with business regulation and tax (McKelvie *et al.*, 2007). Although these are considered positive signs of support and promotion for small business, it is still up to the entrepreneur, particularly in respect of new venture creation, to make the decision to exploit their ideas and expend personal effort and resources towards the achievement of a successful start-up.

This study aims to identify those specific decision-making factors an entrepreneur considers prior to establishing a new venture. This study is also a precursor and a pilot study to a larger examination of the cognitive antecedents associated with transitioning potential business ideas from need/problem identification to exploitation through new venture creation. By identifying tangible factors associated with entrepreneurial decision-making, it is anticipated that the scope of any further examination of cognitive antecedents can be narrowed to a limited number of key constructs. This study would appeal to those interested in exploring the entrepreneurial mind-set (McGrath and MacMillan, 2000; Richert-Kaz´mierska and Lechman, 2014) and, in particular, the cognitive schema associated with entrepreneurial ideas and their exploitation.

Background to this study

An entrepreneur, in the context of this study, is an individual who typically has limited resources, which he/she attempts to efficiently utilise to exploit a viable business idea through new venture creation (Sobel, 2008). By creating a new venture, the entrepreneur gains access to additional resources, which assist in increasing the point of differentiation and competitiveness of the new venture. Entrepreneurs therefore utilise specific skills and capabilities to help them in making rational decisions and which lead to achieving success through new venture creation (Ozdemir *et al.*, 2014).

In new venture creation, entrepreneurs need to focus on strategically analysing the external macro-environment to determine gaps and deficiencies where exploitable needs/problems may exist. Such analysis enables the entrepreneur to learn and discover new information, analyse it for trends and possibilities and develop unique, innovative solutions to identify problems or needs in the marketplace (McKelvie *et al.*, 2007). Rapid technological developments have resulted in increased hyper-competition across the

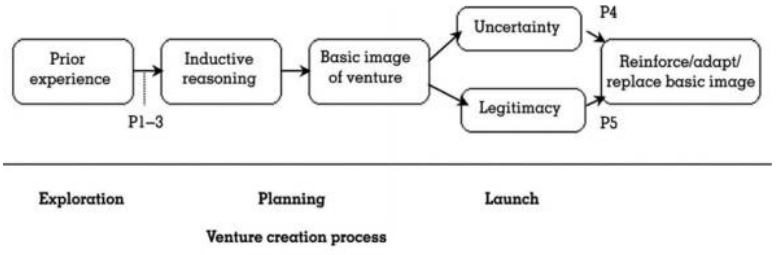
globe. This has furthermore led to increased market competition and a rise in activity amongst many SMEs to develop new strategies that will satisfy customer demand while increasing profitability (Crossan and Apaydin, 2010). Besides factors such as economic conditions, the changing social environment, market demands, trends, supply chain viability and so on, the most pervasive factor that currently influences new venture creation appears to be technological change. This factor represents a major source of innovation and features prominently in entrepreneurial decision-making, leading to new venture creation (Gerschewski and Xiao, 2015).

Entrepreneurship and new venture creation

A review of extant literature on new venture creation and, in particular, entrepreneurial decision-making forms the basis of this study. It includes an analysis of previous literature, theories and frameworks that provide information on new ventures and the notable factors that influence the decisions related to start-ups.

According to Cornelissen and Clarke (2010), entrepreneurship, as a process of economic activity, is widely recognised as a source of innovation that has an impact on economic development. Part of this process of economic activity involves the establishment of new ventures targeted at providing specific solutions to identified needs or problems in the marketplace. The underlying premise that drives new venture creation is to provide a significant value to an identified segment of the market, which in turn supports and justifies the establishment of a sustainable business. Mehdivand *et al.* (2012) state that the notion of new venture creation is primarily explained through a cognitive perspective. According to this view, new ventures are designed and established on the basis of the cognitive characteristics of entrepreneurs. Prior knowledge, experience and skill is needed when establishing a start-up (Shane, 2003). The entrepreneur's identification and resolution of unresolved problems or unsatisfied needs are best understood and made sense of through the cognitive processes of the individual. The other approach used to explain new venture creation is institutional theory (Platzek *et al.*, 2010). According to this theory, entrepreneurs are influenced by the social and cultural contexts within which they operate and are more focused on providing meaning to these constructs through new venture creation (Figure 1).

This study has adopted a cognitive perspective to new venture creation as set out by Mehdivand *et al.* (2012). Figure 1 shows the venture creation process, which involves three stages; exploration, planning and launch. This is similar to Shane's (2003) model of opportunity identification, assessment and exploitation. Planning is conducted in three phases, as explained in Figure 1 (P1-3, P4 and P5). Cognitive factors are brought into



Source: Mehdivand *et al.* (2012)

Figure 1. Entrepreneurial sense-making and the venture creation process

consciousness and are used to develop an idea and substantiate the reasoning behind creating a new venture. This assists in designing the basic nature of the venture, for example, whether it has a physical presence or is virtually situated. The uncertainties confronting the venture (i.e. the uptake of the solution by an identified market segment) and its legitimacy as a competitive player in the market are defined and explored. Uncertainty and legitimacy also ensure that effective competitive strategies are developed and resources are effectively managed. Newbert (2007) argued that in the development of new venture and the availability of resources and capabilities in the market play a significant role in the initial stages of the start-up. For example, the presence of relevant and abundant resources in the market assist the entrepreneur in making decisions on how to best utilize these resources and gain competitive advantage.

Entrepreneurial strategies at start-up

According to Krlev (2012), the entrepreneurship process is based on identifying and exploiting needs/problems well ahead of potential competitors and through the use of unique and creative approaches. To achieve a measure of confidence prior to start-up, entrepreneurs need to focus on the industry, macro-environmental and competitive landscapes they are planning to enter. Strategically, it is important to analyse and quickly evaluate the key forces a new venture will need to contend with prior to launch. Entrepreneurs are generally considered to have a favourable disposition to risk, and it is important for them to plan, develop and implement strategies that can help in achieving market presence, growth and development (Jovanovic *et al.*, 2010). There are a number of different strategies an entrepreneur might choose to achieve a successful outcome as follows:

Transcendent-based approach: This is based on the premise that entrepreneurs question the nature of things. The focus of this strategy is on introducing new products and services that will meet and satisfy the needs of the market. Quality is the main concern when developing and designing new products. Entrepreneurs therefore place an emphasis on maintaining and improving the quality of existing products while using unique and innovative ideas to achieve success and growth (Nebhwani *et al.*, 2011). This approach presupposes that there is already some market presence and that this is being serviced by existing products or services. The essence of this approach is to take what exists and, through quality improvements and innovative design, extend what is available to the next level, for example, computer software where each successive version builds in greater functionality and stability.

Product-based approach: According to Jovanovic *et al.* (2010), the product-based approach can be an effective strategy when implemented by entrepreneurs to meet the needs and demands of customers by providing them with new and innovative products. Again, there is an assumed condition that the venture has already been established and that it is now seeking to grow and expand within an existing market. The product attributes are unique and make a significant impression on consumers as a "must have" item. The product attributes are innovative, compelling and designed in such a way as to disrupt the traditional technology used in a particular industry; for example, Sony Walkman's traditional music delivery through magnetic tape and Compact Disc vs Appel's disruptive innovation of digitally formatted music and the invention of the iPod (Rose *et al.*, 2009).

User-based approach: The user-based approach reflects a process where the entrepreneur focuses on the specific needs and demands of a targeted market. This strategy relies primarily on consumers telling the entrepreneur about their needs, frustrations and concerns in respect of current product and services or about the absence of a readily available solution. Saatci *et al.* (2014) suggest that entrepreneurs following this strategy will first clearly define problem or need areas and then design suitable solutions to resolve them. For many new ventures, this is an optimal, efficient and low-cost approach to not only assessing consumer interest in what is offered but also represents an effective way to establish the new venture. The essence of this approach lies in building products and services that meet the minimum viable demand conditions of a small but critical market of early adopters, and to then continually upgrade the product or service until it has been accepted by the mass market.

Manufacturing-based approach: The manufacturing-based approach is based on meeting industry and regulatory standards while developing and producing new, innovative products and services. The purpose of this strategy is to incrementally introduce innovative changes to products and services used by the industry or market while still focusing on the effective and efficient use of resources. This strategy is better suited to existing organisations seeking to expand or grow and is therefore seldom used in new venture creation (Mehdivand *et al.*, 2012).

The strategy best suited to new venture creation is primarily the *user-based approach*. One of the most significant problems facing entrepreneurs at start-up is the belief that they somehow intuitively "know" what users are looking for or what the problem is. Blank and Dorf (2012) emphasise, after decades of analysis and experience, that creating a new venture is vastly different from simply replicating an existing enterprise model and writing a business plan. Not only are the specific needs and market deficiencies unknown to the entrepreneur but also the resource and expertise requirements at start-ups are significantly different from those associated with existing business. It is therefore incumbent on the entrepreneur to investigate and clearly understand the needs and problems experienced by users in the target market *before* products or services are introduced and to ensure that consideration is given to launching a business that will sustainably address those needs in the long term.

Entrepreneurial decision-making models

According to Saatci *et al.* (2014), the decision-making process used by the entrepreneurs is influenced by organisational context, individual characteristics and environmental factors. This suggests that there are three levels or stages of analysis which help in making relevant and effective decisions for a new venture. These stages include the person (entrepreneur) analysis, environmental analysis and the strategic decision process on the best approach to enter the market. The implicit assumption that is relevant to this study is that there are critical factors throughout all three stages that need to be considered when contemplating a new venture. The levels of analysis and the factors to be tested are depicted in the following way (Figure 2).

The figure above shows the entrepreneurial decision-making process and the primary areas of focus (entrepreneur, environment and strategy) to be considered when launching a new venture. The entrepreneurial decision-making process occurs against a backdrop of uncertainty and risk, so although a potential idea may have been identified, there is a degree of risk associated with creating a solution, and uncertainty connected

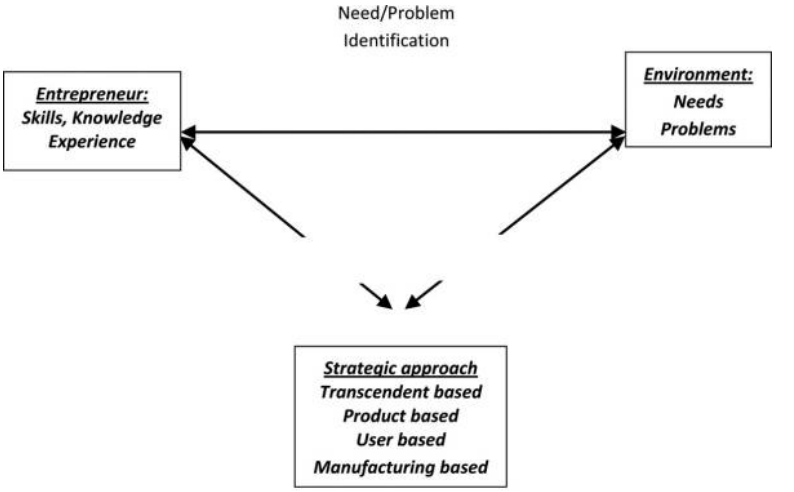


Figure 2.
An adapted entrepreneurial decision-making model

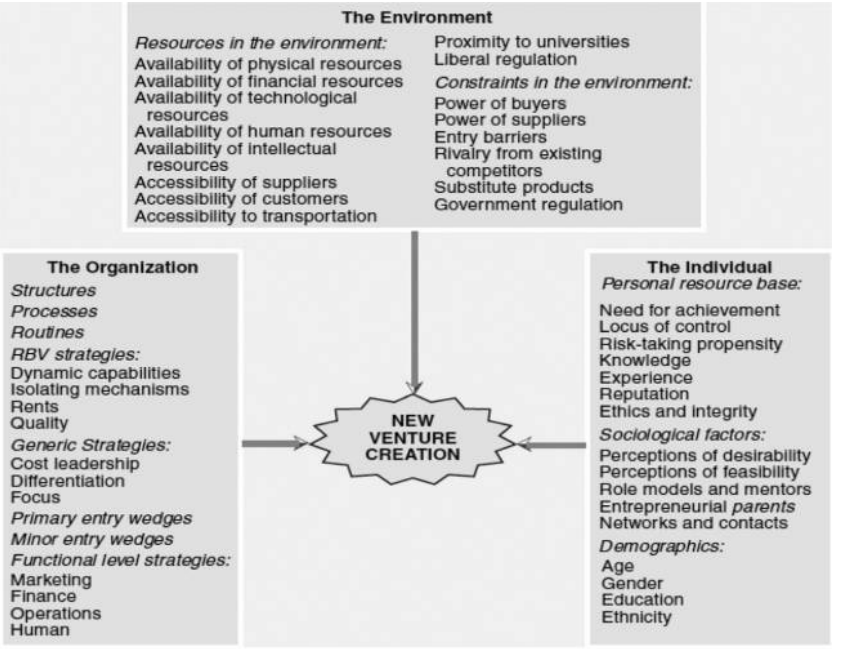
Source: Saatci *et al.* (2014)

with the best strategic approach. The bi-directional arrows represent the influence a change or failing will have on the rest of the model. That is, a misinterpreted need or problem will have an impact on the strategic approach selected and vice versa. Unique and creative ideas will influence the decision-making process, along with the uncertainty and risks involved. The new venture therefore requires a clear problem/need definition so that an appropriate strategy can be selected while ensuring the entrepreneur possesses the requisite skills and knowledge to affect a positive outcome.

According to Nebhwani *et al.* (2011), there are three dimensions of new venture creation. Entrepreneurs meet the changing needs and demands of the industry and individuals through innovative, creative and new ideas. Their ideas are generally influenced by three dimensions, which also have an impact on their decision-making and actions. These dimensions include individual characteristics, organisation and environmental constraints, as set out in Figure 3.

The above model is not that dissimilar from the adapted model in Figure 2; however, it is more detailed in highlighting the factors influencing the decision to create a new venture. According to Mokaya (2012), the environmental dimension takes priority in creating a new venture, with the degree and nature of available resources in the environment taking precedence over factors in the other dimensions. There is also an element of competitive analysis suggesting that an exploration of other market players in the industry is an essential consideration for entrepreneurs prior to start-up. The model is more strategic in the organisational dimension through consideration of different generic strategies and a more focused consideration of organisational capabilities.

Cornelissen and Clarke (2010) state that the development of a new venture leads the entrepreneur to explore slightly broader factors which impact the overall decision to create a business. According to this model, the establishment of a new venture is based on two conditions. The first condition includes the freedom (degree of individual



Source: Saatci *et al.* (2014, p. 279)

Figure 3.
Dimensions of new venture creation

independence) of the entrepreneur to create an economic venture, which is innovative and creative. The second condition includes favourable economic conditions, which results in growth of the new venture. These conditions directly and indirectly influence the entrepreneur's decision-making process. Figure 4 outlines some of the factors that are associated with the entrepreneur's decision towards building a new venture.

According to Cornelissen and Clarke (2010), the decision of an entrepreneur is based on understanding the prevailing economic conditions. The entrepreneur needs to understand the fundamental economic conditions within the country where the business will be located and those positive economic signals that will foster success for the business. The economic freedom provided to entrepreneurs helps them in developing the business efficiently. The dominant taxation policy, trade policies, regulations, government interventions and other monetary policies have a direct influence on the decision to establish new venture (Oviatt and McDougall, 1994). When, for example, taxation policies and tariffs are favourably oriented towards small business, then it positively influences business performance, whereas if they are unfavourable, it negatively affects business.

Other factors influencing entrepreneurial decision-making

Experienced entrepreneurs often consider further macro-environmental factors as part of the decision-making process to establish a new venture. Typically, however, Individual, competitive and immediate market factors take precedence in the decision-making cycle over a more focused macro-strategic analysis of the environment.

Source: Cornelissen and Clarke (2010, p. 13)

Figure 4.
Entrepreneurial decision towards new venture

Investors, in particular, who are generally not as engaged in the initial stages of need/problem assessment, tend to take a more holistic view of the operating environment before making a decision to invest in new ventures. Serial entrepreneurs also pay attention to a wider context of analysis, having been through the process of start-up before. They also, generally speaking, have a good understanding of the value of conducting prior research to the success of new venture. Some of these other essential factors are discussed below.

Technological advancement. Aspelund *et al.* (2005) confirm that technological advancements are not only a rich platform for need/problem identification but also have a significant influence on the type and nature of customer demand. Increasingly, the emphasis is on user convenience and how technology can significantly improve the lives of a tech-savvy population. Consideration of the rapidly changing technology environment also enables entrepreneurs to design products or services that are flexible and can be easily adapted to customer needs (Robinson and McDougall, 2001). Furthermore, advances in technology can also assist the entrepreneur internally by redefining traditional business processes and streamlining services. Technology is a significant consideration in the design and structure of the new venture, for example, moving traditional bricks and mortar retail into virtual and digital retail platforms for online shopping.

Socio-demographics factors. Dollinger (2005) suggests that experienced entrepreneurs scan socio-demographic factors before establishing a new venture. Socio-demographic factors comprise two key components; demographic shifts in population (e.g. migration from different countries) and social trends in terms of the uptake of products and services (e.g. changing entertainment preferences).

Market and opportunity. Entrepreneurs typically focus on industries where there is a high degree of market growth and where there are a large number of needs/problems (Dollinger, 2005). Baron and Tang (2008) specifically point out that market factors such as environmental heterogeneity, competition intensity, environmental dynamism, industry cost structures market scope, market growth rate, product innovation and market intensity are all components that need further investigation in deciding to create a new venture.

Entrepreneurial team. A key consideration for the entrepreneur at a start-up is the presence of a team of suitably qualified and experienced personnel to assist in the development and exploitation of innovative business ideas and problem solutions. Entrepreneurs seldom create new ventures entirely on their own and often need a talented team of specialists to facilitate the development and distribution of innovative products and services.

Research approach

The research approach adopted in this initial pilot study is predominantly a qualitative, inductive research strategy built on a constructivist framework of entrepreneurial decision-making. The strategy is based primarily on the premise that humans are intrinsically motivated to acquire and assimilate information relevant to a particular decision-making process and to give it their own meaning. It is also based on the further premise that the factors taken into consideration when starting a new venture are not only common amongst certain individuals, but are also relatively stable over long periods of time. Although this may be the case, the factors themselves will be subject to individual interpretation and weighted differently in terms of emphasis and impact. The objective set for this study was to explore in greater depth those factors that most influenced entrepreneurs to engage in new venture creation. A secondary objective was to confirm the investigative direction, validity and reliability of the questions used here to a future exploratory study on the cognitive antecedents associated with entrepreneurial decision-making.

Research method

A semi-structured interview method was used to solicit data from a sample of five entrepreneurs currently housed in a business incubation unit. The exploratory nature of this initial pilot study presumed no prior knowledge of the specific factors used by entrepreneurs to make decisions about new venture creation, other than those focused primarily on the individual, the environment within which they operate and the goal of establishing the new venture itself. It was therefore decided that the best way to solicit data for the study was to engage the sample in an open-ended conversation loosely guided by a broadly defined notion of how to build a start-up business. This approach allowed for a larger discussion on the topic and the opportunity to further refine the questions that will be used in the larger subsequent study mentioned above. The sample of five entrepreneurs in the business incubation unit were representative of different industries in New Zealand, namely, food, cosmetics, apparel, hospitality and electronics.

Data collection and analysis

The semi-structured interviews were based on four open-ended questions and acted as an *aide memoire* to focus the conversations held with the sample on the topic of entrepreneurial decision-making. Conversations were recorded and subsequently converted into typed transcripts. These were reviewed and signed off by participants to verify the information that had been discussed. Each conversation took approximately 1 h to complete.

The data solicited from these conversations were subjected to narrative inquiry, a process which leads to the formation of categories of description and which outlines the critical components and interpretations of the construct under study. The same categories of description are used to explore the relationships between categories, which

together form an outcome space. Validity is achieved in relation to the data available and the transparency provided in the path through data analysis. Excerpts from interviews were used in three ways:

(1) to illustrate a critical feature of a theme;

(2) to clarify the difference between one theme and another; and

(3) to illustrate commonality of meaning across participant responses.

Categories of analysis were also further subjected to thematic analysis to determine common topics and to further determine the validity of the questions posed to the sample.

Findings

The qualitative approach used was largely successful in soliciting data from the five founding members of businesses housed in the business incubation/start-up facility. The respondents were in the "proof of concept" phase of their start-up having recently established a need/problem in their respective market places. This was considered an appropriate stage at which to conduct semi-structured interviews, as the decision whether to establish a new venture was still being investigated and tested for feasibility.

The sample was representative of a number of different industries as well, which eliminates any specific bias towards a particular industry or profession. All of the samples are reasonably experienced in their respective disciplines and have a sound understanding of general business principles, but are starting out on their own for the first time and can be best identified as "nascent entrepreneurs". The business incubation unit where these entrepreneurs are housed is situated on a university campus close to a large business district that accommodates approximately 12,500 independent businesses. The business incubator provides all of the basic resources needed for start-ups (e.g. office space, IT and internet access) and access to professional expertise either through the university or its local business network. Individual semi-structured interviews were used to solicit data in this pilot study, the results of which are reported in the following narrative and thematic analysis.

Personal expertise

Entrepreneurs were asked individually to discuss their background expertise in relation to creating a new venture. Three main categories of expertise that were deemed important to business start-up were expressed:

(1) *Wide market awareness*: The sample expressed the need to be able to demonstrate a sound understanding of their respective markets and industries, including the identification of key industry drivers and knowledge of the competitive landscape.

(2) *Personal capabilities*: Individuals were confident that they possessed the requisite business knowledge and skills applicable to their specific industries to be able to create and establish a new venture.

(3) *Strategic capability*: Individuals were able to demonstrate a future goal orientation that focused on wealth maximisation and value delivery.

Need/problem identification

The identification of a market related need or unresolved problem is a necessary ingredient to new venture creation. Furthermore, it is incumbent on the entrepreneur to ensure they have the necessary knowledge and skills to be able to conduct detailed market research in their respective industries. The sample reported that the basis on which their ventures were founded focused primarily on three key areas:

(1) *Demand for a new product*: Widespread dissatisfaction with an existing product's performance formed the basis for three of the five new ventures. Inherent to this were the developments and enhancements in prevailing technology that made significant improvements possible.

(2) *Advances in technology*: Apart from the technology developments described in existing products above, totally new technologies enabled the introduction of new products and services for two of the five new ventures. The perceived potential opportunity was therefore to open up entirely new markets within an industry and to introduce innovative solutions that would supersede traditional modes of production.

(3) *Unique value delivery*: Closely associated with the above were the unique value propositions made possible by advances in technology. Furthermore, there were other identified market gaps that could be pursued across industry boundaries.

Entrepreneurial decision-making factors

The literature suggests that there are several factors that are taken into consideration when planning a new venture, including the idea itself, potential customer demand, the market gap, scalability, start-up costs and market attractiveness. The findings from this pilot suggest that entrepreneurial decision-making is influenced primarily by four main factors:

(1) *Novelty of the idea*: This finding supports the notion found in widespread literature on entrepreneurial behaviour that creativity and innovation are integral to start-up success. It is a key differentiating feature between an entrepreneurial versus small business start-up. The idea itself, however, needs to be substantially different from what is currently available and, in some cases, needs to be significantly disruptive. Individuals in the sample reported that mere improvements to an existing product or service would not be sufficiently sustainable over the long term and would not necessarily support new venture creation.

(2) *Market demand*: This was probably more important than the first point above. Entrepreneurs suggested that just because an idea might be novel, it did not mean there was ready market demand for exploitation. The absence of sufficient market demand was therefore deemed to be crucial to deciding whether one would consider starting a business.

(3) *Personal/acquired experience*: The sample suggested, in varying degrees, that a key decision-making factor was personal expertise in building a start-up. For some, past experience of the process of building a start-up was clearly important. All of the entrepreneurs agreed, however, that being housed in a business incubator, with ready access to resources and expertise as required, was a significant contributor to their decision to build a start-up.

(4) *Need/problem identification*: Clarity and rigor around the actual market need or unresolved problem was significant in the decision-making process. Apart from the novelty of the solution or idea, it was first critical for the sample to completely understand as much as possible about the need expressed by the market or the problem being experienced.

Table I summarises the findings from this pilot study and will be used to primarily to design the research strategy for a wider examination of cognitive antecedents.

Barriers to new venture creation

The act of building a new business is a complex task which essentially involves intensive research modelling and planning. Although the literature generally points to a lack of resources and capability as a key reason for start-up failure, the same cannot be said here. This sample of entrepreneurs are housed in a business incubator facility where there are sufficient resources and available capability to assist in the success of the start-up. There are, however, specific perceptions of the entrepreneurs themselves embedded in the decision-making process which could act as barriers and influence the individual's confidence in whether to establish a new venture. Specifically, these were:

- *Crowded market space*: In an economy with a proliferation of small business (97 per cent of which comprise ten people or less) there is a lot of "noise". The sample reported that the crowded nature of the market place inhibited their ability to gain access to accurate and verifiable information about market needs and problems. This has the effect of extending the amount of, and time taken in conducting, much needed market research.
- *Compliance*: Industry regulations, statutory provisions, legislation and tax policies can often be a landmine for the unwary, not only for compliance purposes but also for access to decision-making information. Some of these entrepreneurs operate in highly regulated markets (e.g. food technology and production) which are not conducive to large market demand fluctuations or disruptive technologies, making the decision-making process for entrepreneurs onerous and subject to bureaucratic compliance.

Area of examination	Decision-making factors	Possible cognitive antecedents
Entrepreneur	*Personal expertise:*	Knowledge and expertise
	Wide market awareness	Self-efficacy
	Personal capability	Strategic thinking
	Strategic capability	
Environment	*Need/problem identification:*	Creativity/innovativeness
	Demand for new products/services	Insightfulness
	Advances in technology	Foresight/personal values
	Unique value delivery	
Strategy	*Decision-making factors:*	Creativity/innovativeness
	Novelty of the idea	Insightfulness/foresight
	Market demand	Self-efficacy
	Personal/acquired experience	Curiosity
	Need/problem identification	

Table I.
Summary of pilot study findings

- *Market conditions*: Apart from the abovementioned points, wider economic market conditions can delay or prevent the establishment of a new venture. In a downturn economy, it is unlikely that entrepreneurs will pursue new venture creation, preferring instead to wait until conditions improve before proceeding. Despite favourable economic conditions, timing market entry is often challenging, particularly when the new idea on which the start-up is built is novel, unique and unknown.

It was notable from the conversations that none of the sample referred to their own lack of skill or knowledge concerning new venture creation as an issue in either their research or their decision-making. It was concluded that this was a function of their current location in a business incubation unit, and that where there was a lack of knowledge, skill or expertise, this was readily available to them whenever they needed it.

Discussion

The literature above consistently refers to three primary areas of focus in the entrepreneurial decision-making process, namely, the entrepreneur (their individual expertise and capability), the environment (the market needs/problems) and the strategy (the best approach to market entry), when deciding to launch a new venture. Furthermore, entrepreneurial decision-making takes place against a backdrop of uncertainty and risk, so although a potential idea may have been identified, there is a degree of risk associated with creating a solution and uncertainty connected with the best strategic approach to resolve it. This was less so in this study, considering that the sample was drawn from a business incubation unit where there is relative "safety" from harsh market conditions and volatility. The planned subsequent study will therefore need to be directed at entrepreneurs in a real operating environment, experiencing prevailing market conditions, and will need to carefully probe the "entrepreneurial" (individual) factors associated with decision-making.

The "novelty of the idea" as a factor in entrepreneurial decision-making leading to new venture creation is critically important to start-up success. If the solution does not provide meaningful differentiation from other available alternatives and offers little compelling value to potential customers, then the basis for new venture creation may be fundamentally flawed. This makes sense when considering that new ventures are often launched in highly volatile and rapidly changing competitive markets. The entrepreneur therefore needs to "think ahead" from a cognitive perspective, placing themselves in a "strategic future scenario" where existing solutions no longer resolve or satisfy existing problems or needs. Mere improvements to an existing product or service are not sufficiently differentiated and therefore do not provide a compelling value proposition that would attract a suitably sized market on which to build a sustainable business. "Market demand", as the second factor considered in entrepreneurial decision-making, is complementary to this first point. The absence of a suitably novel solution and compelling value proposition necessarily excludes any consideration of new venture creation. Creativity and innovation are therefore necessary prerequisites at a cognitive level in the decision to build a start-up. The rationale behind market demand is to have such a significantly attractive product/service offering and compelling value proposition that the product/service is "pulled" into the market (by a significant number

of early adopters) rather than being "pushed" into the market (where there is little or undeveloped demand).

Despite being significantly creative and innovative, the individual is still faced with difficulties in start-up if they do not also possess sufficient knowledge or skills in respect of building a start-up. The samples in this study were well qualified in terms of their individual industry experiences and knowledge of prevailing market conditions. Their individual portfolios of skills were increased by the fact they operated out of an established business incubator that provided them with needed additional capability. However, what was less well developed was their individual ability to extrapolate what they knew and experienced to create future scenario where problems or needs become so critical that they could visualise the compelling nature of their solutions. For those able to develop this cognitive skill and "think forward", their ability to produce novel solutions will be greatly enhanced and they will exit the relative safety of the incubator that much sooner. Those who do not improve their cognitive ability in this sense develop a reliance on the incubator and are eventually forced out on their own. Survivability of a new venture without this safety net under real market conditions is often brutally short.

The final factor dealt with here is the issue of "need/problem identification". Clarity and rigor around the actual market need or unresolved problem was significant in the decision-making process. Apart from the novelty of the solution or idea, it was first critical for entrepreneurs to completely understand as much as possible about the need expressed by the market or the problem being experienced. This finding suggests the individual needs to possess a fairly high level of analytical thinking and an ability to critically deconstruct needs and problems. Despite voicing this as absolutely crucial to the solution development process, four out of five of the samples were tempted to claim they were already familiar with the problems or needs experienced in their industry without substantiating this claim with evidence from the prospective customers. The attitude was one of "I am an expert at what I do and therefore know what the customer needs". This is unfortunate and can lead to the development of a solution that either does not fully resolve the need/problem or becomes a solution that does not provide compelling value for the customer. Entrepreneurs need to develop a capacity to listen and accept criticism/suggestions from prospective clients without perceiving it as a personal criticism of their individual capability.

The antecedent requirements for new venture creation therefore suggest that individual entrepreneurs need to have a fairly comprehensive and detailed knowledge of industry conditions and the competitive environment they are entering. This study confirms previous research and literature emphasizing that thorough and detailed market research is crucial to start-up success and sustainability (Li, 2010; Gerschewski and Xiao, 2015).

The findings also suggest that the entrepreneur necessarily conducts considerable market research with a view to fully understanding the dynamic conditions that exist in the market. Based on the resulting information, entrepreneurs engage in a process of creating a new venture by way of securing resources, modelling the business value delivery system and implementing an appropriate entry strategy into the market (Kanchana *et al.*, 2013). Furthermore, other major resources and capabilities, including human resources, operating capital, financial investment and technology, are all

integral to start-up success and need to be factored into the planning of the new venture (Kanchana *et al.*, 2013).

Technological solutions to identified market needs/problems play a significant role in the decision-making process. Not only does it provide a benefit in terms of reducing the time taken to engage with the market but also enables, through process reconfiguration, the simplification of value delivery to the consumer. It is therefore important for entrepreneurs to be technologically perceptive and adept at introducing cutting edge solutions that are novel and innovative, if they are to succeed in launching a new venture.

Conclusions

The decision to build a new venture by an entrepreneur has been revealed as somewhat complex, requiring a considerable degree of knowledge and skill. The process of identifying, defining and assessing a market-related need or problem through new venture creation is, in itself, a time-consuming and often frustrating exercise. Despite the rapid and significant advances in technology enabling the simplification of complex processes and quick deployment of innovative solutions, considerable reliance is still focused on the cognitive capacity of entrepreneurs to build sustainable new ventures that will cater for dynamic market needs and problems. This pilot study is a precursor to a larger initiative that will probe the cognitive antecedents to market need/problem identification, assessment and exploitation; and will provide a platform for further investigation in this area.

The study has a marked leaning towards new and developing entrepreneurs rather than seasoned and experienced serial entrepreneurs. Their situation in a business incubator is also influential and has been used as a platform on which to build further constructs related to the entrepreneurial decision-making process. The intent is to use these seemingly common decision-making factors and determine their veracity against the decision-making process of more experienced entrepreneurs. The objective is to establish a holistic and common understanding of the cognitive antecedents present in the entrepreneurial mind-set, which are used to identify, define and respond to market-related needs/problems in unique and novel ways.

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