

New business development processes in small and medium-sized enterprises

A multiple case study about new business
development processes in two different companies.

Acknowledgements

This thesis is written as the end assignment for the master International Business at the University of Twente. The main focus of this thesis is New Business Development in Small and Medium Enterprises (SMEs). During my study I recognised that I gained a growing interest in NBD-related topics. Since I was a year of ten or so my dream was to be an entrepreneur, inspired by my grandfather. I just launched my very first own company while I was studying at university. Nowadays 12 people work at my company and business is growing fast. Therefore, New Business opportunities and especially the NBD process were topics which I had to overthink critically myself [to](#) be successful as a managing director.

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Abstract

It is crucial to develop new business opportunities in order to compete with other firms and to survive in the market. The process of new business development (NBD) can be systematic with the use of systematic business models. On the other hand, NBD can also be a non-systematic process. In this case firms rely on non-systematic methods such as bricolage or even gut feeling. Especially SME's are not able to use a systematic approach in order to develop new opportunities and rely on bricolage which can be defined as making do by applying combinations of resources at hand to new problems and opportunities. Therefore, the main focus of this study is on NBD in SMEs when the systematic tools are not available. For the execution of this study a multiple case study is applied to observe two NBD practices at two different SME's have been studied and documented. The research has led to a conclusion that the process of NBD used in both firms can be characterized as typical bricolage.

Both companies use an approach that uses all available resources disregarding major limitations. Also, they use existing resources combined and even recombine in order to solve problems. The firms as well use resources at hand, such as skills and ideas. Comparing the process of the two firms in NBD leads to the conclusion that the bricolage approach is not effective for all NBD opportunities.

The typical bricolage characteristics, do the job with resources at hand were seen in both cases. In both cases all available resources were used disregarding major limitations. Comparing the process of NBD in both cases lead to the conclusion that the bricolage approach is not effective for all NBD opportunities. In both cases the bricolage approach resulted in different outcomes. One of the companies involved in this study was more successful in NBD while using the bricolage approach than the other.

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1. Introduction

Due to globalisation and modern technologies as internet, companies need to continuously develop new business opportunities to maintain sustainable competitive advantage (Salomo, 2003; Tushman & Nadler, 1986). However, most organisations highly focus on their core business and not ready to explore new business opportunities (Burgers, van den Bosch, Volberda, 2007). In short, new business development (NBD) is in the literature described as a certain process of developing a new business opportunity (e.g. Burgers et al., 2007; Lenferink, 2009). The dictionary describes NBD as a process where systematic series of actions are directed to some end. These actions can simultaneously be translated to NBD, for instance these systematic actions start with the recognition of a business opportunity in form of an idea and follow with certain other systematic actions that eventually lead to new business. Shu (2009) detailed this definition by defining business development as “*..finding new strategic opportunities for the company and start the company on the path to execute (incubation). It is not uncommon for business developers to have a combination of strategy, marketing & sales, finance, legal, and operations background*” (p.1). The search for new strategic opportunities can better be described as the generation of ideas, initiatives and activities aimed towards making a business better, stable and financially healthy.

The process of NBD is difficult, since decisions are mostly made in dynamic and increasingly rapidly changing environments (Chermack, 2004). To conquer and to survive in this world full of rapid developments, business models can be considered as a valuable tool in NBD to determine the strategic position and offer a certain support to the manager involved in the decision-making process (Franke, Gruber, Harhoff & Henkel, 2008; Venkatraman & Henderson, 1998). Osterwalder (2004) for instance, described business models as a conceptual tool that contains a set of elements and their relationships and allows expressing a company’s logic of earning money. Business models can be seen as critical constructs for understanding value creation, delivery, and capture mechanisms it employs (Teece, 2010, Amit & Zott, 2001; Chesbrough & Rosenbloom, 2002). Besides that, a business model defines the manner by which the company delivers value to customers, entices customers to pay for

value, and converts those payments to profit. Overall, a business model reflects the hypothesis about what customers want, how they want it, and how the company can organise the best to meet those needs, get paid for doing so, and make a profit (Teece, 2004). Firms could rely on such kind of systematic NBD methods to control risk within NBD and to avoid situations where they have more risk of failure (Sarasvathy, Simon, & Lave, 1998).

Besides, not every firm is able to systemise the process of NBD. Some firms make decisions that are based on gut feeling and bricolage (Sadtler-smith & Sheffy, 2004). Therefore, this study distinguishes two different approaches of new business development: systematic NBD and business development driven by gut feeling and bricolage. Following developing new business opportunities using bricolage can be seen as using resources at hand and apply them in combinations in order to solve problems and create opportunities. In general, it can be assumed that larger firms possess sufficient resources and sophisticated procedures to systematically develop new businesses.

On the other hand, start-ups are more flexible, because they are not having yet a cash cow to focus on (Franke, Gruber, Harhoff & Henkel, 2008). Therefore, start-ups are usually more successful in the NBD process. Which seems to be necessary to survive as a start-up. Moreover, small and medium sized enterprises (SMEs), which are firms with a maximum amount of 250 employees and a total balance sheet of max 43 million euro, lack some important resources such as money, time and knowledge to systematically develop new businesses (Carey, 1980). These SMEs frequently lack the resources for using business models, therefore they mostly must rely on bricolage or gut feeling. The existing literature mainly focuses on NBD for new and large firms, although NBD is hardly important for all kind of firms. Obviously, NBD is of main importance in order to compete with other firms and to strive for competitive advantage. Therefore, this study focuses on SMEs in NBD and leads to the following research question:

How can small and medium-sized enterprises deal with the process of realising new business opportunities in the absence of a systematic tool for the development of these new business chances?

2. Literature review

This chapter will map out the existing literature about the core concepts concerning the topic. First, the topic NBD will be addressed divided in systematic NBD and non-systematic NBD (bricolage & gut feeling). The last section will be based on SMEs in NBD processes and its characteristics.

2.1 New business development

The subject of this study is SME's in the process of New Business Development. In short, there is a consensus in the literature that NBD is a certain process of developing a new business opportunity. The dictionary describes it as a process where systematic series of actions are directed to some end, which simultaneously can be translated to new business development as a systematic series of actions that starts with an idea of business opportunity recognition and has a systematic series of actions to finally have a new business. According to Seth (2015), the outdated literature on NBD is incomplete and therefore he suggests a new, overarching definition whereas factors like increasing revenues, growth in terms of business expansion, increasing profitability are taken into account. Based on the dominant literature research of Shu (2009) and Seth (2015). In this study NBD is defined as 'the development process of a new business opportunity, that starts with an idea or business opportunity recognition, and ends with having a business that is intended to be profitable. This could be a whole new business unit or a new product.

2.2 Systematic New Business Development

The process of New Business Development is difficult, since decisions about it must be made in dynamic and increasingly rapidly changing environments (Chermack, 2004). To conquer and to survive in this world full of rapid developments, business

models can be considered as a valuable tool to determine the strategic position and offer a certain support to the manager involved in the decision-making process (Franke et al, 2008; Venkatraman & Henderson, 1998). Osterwalder (2004) described business models as a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams. Business models can be seen as critical constructs for understanding value creation, delivery, and capture mechanisms it employs (Teece, 2010, Amit & Zott, 2001; Chesbrough & Rosenbloom, 2002). Besides that, a business model defines the manner by which the company delivers value to customers, entices customers to pay for value, and converts those payments to profit. Overall, a business model reflects the hypothesis about what customers want, how they want it, and how the company can organize the best to meet those needs, get paid for doing so, and make a profit (Teece, 2004). Firms rely on such kind of systematic new business development methods to control risk within the new business development, and to avoid situations where they have more risk of failure than the chance to succeed (Sarasvathy, Simon, & Lave, 1998).

2.3 Non-systematic New Business Development

As mentioned above firms can use a systematic approach to develop new business opportunities. Although, not all firms are able to use such as systematic approach, due to a lack of resources in order to use a business model is the process of NBD. In this study, not using a systematic approach is called non-systematic. Many firms use an approach that is more or less based on intuition and available options. This could be bricolage and handling by gut feeling. Daniel Kahneman and Amos Tversky (1982) defined intuitive judgments, or better say decision making by gut feeling, as those that are arrived at by an informal and unstructured mode of reasoning without the use of analytical methods or deliberative calculation.

Which can be seen in this study as making decisions in the new business development process in an informal way without an analytical approach.

2.3.1 Bricolage

An extremely important example of a non-systematic approach in NBD is Levi-Strauss's (1967) concept of bricolage that can be described as making do with 'whatever is at hand' (Duymedjian & Ruling, 2010; Philips & Tracey, 2007; Stinchfield, Nelson & Wood, 2012). Many firms face significant resource constraints (Shepherd et al., 2000) and have inadequate resource buffers (e.g. Baker & Shepherd, 2009). The behaviour of bricolage can be described as a way that some firms "make do" by using the available resources at hand for new possibilities. Baker and Nelson (2005) introduce three key parts in their definition: (1) making do, which involves the bricoleur disregarding socially constructed limitations placed on common practices, standards, and definitions of inputs, (2) combining and recombining resources to solve problems, and (3) using resources at hand 'which may be physical artefacts skills, or ideas that are accumulated 'because they may come in handy' (Baker and Nelson, 2005; Levi-Strauss, 1967; Miner, Bassoff & Moorman, 2001). Baker and Nelson (2005) define bricolage as 'making do with whatever is at hand' which can be translated as "*making do by applying combinations of the resources at hand to new problems and opportunities*" (p.333), i.e. physical, social or institutional inputs that other firms rejected or ignored.

Applying bricolage successfully can contribute to the development of companies that can better manage market uncertainties and survive in spite of the particular resource constraints. Today's billion dollar business Airbnb started in 2008. Founded by two designers and a developer, Brian Chesky & Joe Gebbia and Nathan Blecharczyk. During the existence stage, the founders of Airbnb engaged in bricolage practice by developing their own website to offer their just-built lodging space, targeting the participant of a design conference that was held in their town. Three people were coming as their first customer and they began receiving email from people around the world asking when the site will be available in their cities. This is a perfect example

of applying the bricolage approach while they exist their business with resources at hand. Another example is the IT business, several companies made new products out of open source API's an example is Trusti. Trusti is an dating app, founded at the university of Twente. At Trusti they implement several open source API's to create an all new experience to get to know new people in your area.

Levi-Strauss compared the concept of bricolage with a more rational approach that starts with the solution and then start with the process to find matching resources. In contrast, bricoleurs start with the available resources at hand and finally will work towards solutions. The used resources are familiar and limited (Ferneley & Bell, 2006).

The difference with effectuation is, that bricolage starts with a goal set, resources at hand are used to fit this goal. The case with effectuation is that there is not a clear goal in the beginning. Just some resources without a plan to use them and therefore success is quite uncertain (Sarasvaty, 2001)

Bricolage has been studied in diverse social science disciplines in organisation and management studies, including innovation (Duymedjian and Ruling, 2010). Moreover, bricolage results from diverse varieties of resource scarcity. To overcome the obstacles concerning the shortage of resources, firms use the resources at hand and sometimes in an unusual way. According to Anderson (2008), bricolage was dominant in innovation processes mainly bottom-up, resulting in using the resources what was at hand or to acquire locally. According to Baker et al. (2003), firms that rely on bricolage use various networks in order to assemble resources. Di Domenico et al. (2010) found that persuading the stakeholders is a well-known method to assemble resources. Many studies concerning the bricolage concept focus on bricolage as assembling resources and the integration. However, Duymedjian and Ruling (2010) claim that bricolage rely upon a certain view of the world, nature and organisation of knowledge. The ability of a company to see, face and provide legitimacy to a bricolage type of approach will influence the success rate of intrapreneurial bricolage (Duymedjian and Ruling, 2010). It also affects progress of the innovation process. Encountering intrapreneurial bricolage also means face

uncertainties. Intrapreneurship emphasizes the knowledge of the company (Brenneke and Spitzeck, 2009), while bricolage brings inside knowledge of the elements belonging to the repertory of a bricoleur and the knowledge of context (Duymedjian and Ruling, 2010). Both concepts involve the idea that the people involved in these activities are willing to work their way through the norms and depart from standard, conventional, industry practices. Therefore we suggest that bricolage can serve as a lens for investigating the distinctive actions of intrapreneurs, particularly perhaps social intrapreneurs (Halbe & Lindeman, 2012). Due to several reasons, the focus will be on the resource part of bricolarity in this study.

2.3.2 Gut feeling

If decisions are made based on emotions and with the help of personal experience from the past it is called decision by gut feeling. Which is a form of non-systematic business development. (Kahtri & Alving, 2000). Kahtri & Alving (2000) give the following definition of the concept gut feeling: *the idea that we take the time and invest the effort to produce a list of advantages and disadvantages, or costs and benefits for all alternatives in each single decision and decide on the basis of a rational calculation of those, is not only at odds with introspection, but would also not constitute an advantageous strategy. We simply do not have the time and ability to do so*” (p.23).

As mentioned earlier, gut feeling is decision-making based on intuition. Carl Jung noted that intuition is not something that is contrary to reason, but something outside the province of reason. It is also not a sixth sense. Intuition is not the opposite of rationality, it is also not just guessing. It is a form of reasoning based on job specific experience (Pretula & Simon, 1989). Intuition requires years of experience in problem solving in the business on a detailed level (Isenberg, 1984; Seebo, 1993). H. Ross Perot, quoted in Rowan, 1990 (p.83) mentioned that intuition is being able to bear on a situation everything you have seen, felt, tasted and experienced in an industry. Intuition allows us to synthesise isolated bits of data and experiences into an

integrated picture (Vaughan, 1990). Parikh (1994) observed that intuition could be a form of intelligence at a level we cannot access with rational thought. Parkh (1994), states that intuition consists of accessing the internal reservoir of cumulative experience and expertise developed over a period of time. And out of that distilling response, to do or not to do something, or choose from some alternatives, without being able to understand consciously how we get the answers (1994: 38)

2.4 SMEs in New Business Development

As indicated, the focus is on firms classified as SME. In the Netherlands, 99,7% of all firms are SMEs (Mkbservicedesk, 2009). SMEs have a maximum amount of 250 employees and maximum annual revenue of 50 million and a maximum annual balance sheet total of 43 million (Communities, 2003). Kaufmann & Tödtling (2002) suggest that the most frequently indicated barriers constraining NBD in SMEs are financial, that means a lack of funds for innovation and NBD, too high risk of this kind of projects. The second barrier is human resources, which is either caused by a lack of time for other activities than existing core business activities, or just, because the lack of existing employees capabilities, knowledge and experience. This barrier applies more often to SMEs, since the daily work-overload of employees often hampers and delays projects such as NBD (Kaufmann & Tödtling, 2002).

When the existing available resources are not sufficient to develop a new business opportunity, for example in terms of time or knowledge, a competency gap may be experienced (Leifer, Mc.Dermott, O'Connor, Peters, Rice & Veryzer, 2000). Subsidies may be a way to battle the competency gap, but SMEs "are generally less informed about the mere existence of such instruments" (Kleinknecht, 1989). Alternatively, Tidd, et al, 2005 suggest that SMEs could try networking to find additional resources, because it is very important to create and fiercely guard separate pools of recourse, and one can recognize a "rise of networking, the emergence of small firm clusters, the growing use of 'open innovation' principles and the

globalization of knowledge production” (Anthony, Johnson, Sinfield & Altman, 2008; Tidd, Bessant & Pavitt, 2005). Those networks allow an SME to decode and appropriate flows of information. *“they reinforce SMEs competitiveness by providing them with a window on technological change, sources of technical assistance, market requirements and strategic choices made by other firm”* (Bougrain & Haudeville, 2002, p. 739). Nevertheless, many SMEs do not network outside their business sector, due to the lack of employees able to act as nodes establishing and maintaining links to innovative networks (Kaufmann & Tödtling, 2002).

SMEs can more or less be seen as entrepreneurial firms. Marcati, Guido & Peluse (2008) state that innovativeness and personality is of main importance for the entrepreneur in order to keep innovating in a SME. Also, entrepreneurship can be seen as crucial factor in successful innovation processes for SMEs. As SMEs are comparable to entrepreneurial firms, entrepreneurial characteristics can be used in investigating the successfulness of SMEs in non-systematic NBD. The three main characteristics of entrepreneurs are opportunity recognition, entrepreneurial capabilities and bricolage (Khan, 1986). The concept of bricolage is already discussed, so the remaining two characteristics opportunity recognition and entrepreneurial capabilities will be addressed below.

2.4.1. Opportunity recognition

Before a NBD process can start, a potential new business opportunity should be recognised. One of the most important abilities of a successful entrepreneur is to identify and select the right opportunities for new businesses (Ardichvili, Cardozo & Ray, 2003). It depends per industry or branch if this decision is made with bricolage of gut feeling. This ‘ability to identify situations in which new markets can be introduced through formation of new means, ends, or means-ends relationships’) can be described as opportunity recognition (Philips & Tracey, 2007; Eckhardt & Shape, 2003). Entrepreneurs identify these opportunities for new businesses by using cognitive frameworks they have acquired through experience to perceive connections between seemingly unrelated events or trends in the external world (Baron, 2006).

2.4.2. Entrepreneurial capabilities

Besides the ability to identify new opportunities, the development of resources base needed to pursue the opportunity has become an increasingly important concept that has been used to explain resources and skills required for effective entrepreneurial activity (Arthurs & Busenitz, 2006; Busenitz & Barney, 1997). According to Ardichvili et al. (2003) there are five major factors available that influence this process of opportunity identification: entrepreneurial alertness, information asymmetry and prior knowledge, social network, personality traits, including optimism and self-efficacy and creativity, and type of opportunity itself. A process of new business opportunity development begins when entrepreneurial alertness that exceeds of exceeding a threshold level (Ardichvili et al., 2003). The strategies in new business development proposed in this study are the systematic new business development strategy and the non systematic new business strategy. As mentioned above, SMEs are often managed or led by entrepreneurs. Therefore above standing entrepreneurial capabilities are quite interesting to keep in mind while observing the non systematic new business development approaches like bricolage and gut feeling / intuition.

3. Methodology

The methods are described in this section. The following components will be discussed: research design, data collection and data analysis. For the execution of this study the cases of two SMEs are used. Therefore, the first subchapter will shortly introduce the two companies.

3.1 Research design

Studies can be classified in qualitative, quantitative or a combination of both approaches (Creswell, 2009). In order to answer the research question properly, this study will use a qualitative approach. Qualitative research methods are often used to explore the subject (Denzin & Lincoln, 2000). Denzin and Lincoln (2000) give the following definition of a qualitative study: *“qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that makes the world visible. These practices ... turn the world into a series of representations including field notes, interviews, conversations, photographs, recordings and memos to the self. At this level, qualitative research involves an interpretive, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or to interpret, phenomena in terms of the meanings people bring to them”* (p.3).

More detailed, this study is a qualitative multiple case study, qualitative data does not simply count things, but is a way of recording people's attitudes, feelings and behaviours in greater depth. It looks further than precise numerical evidence. The reason to choose for qualitative data is that it looks for categories such as events, descriptions, comments or behaviour. It has an inductive process - developing theories from the data gathered. Coding of categories and subcategories are identified. It compares codes, looking for consistencies, differences, patterns etc. and also it looks for new and emerging categories (Denzin & Lincoln, 1994). A research design in form of a case study is likely when the study focus is on questions starting with “how” and “why” and when the researcher is not able to manipulate the behaviour of those involved (Yin, 2003). Stake (1995) emphasised that the number and type of case studies depends upon the purpose of the inquiry. Besides, it also gives an insight in its

context (Yin, 1994). Another reason to focus on a case study is because it is hard to measure processes and meanings in a quantity or frequency to gain understanding in the subject (Denzin & Lincoln, 1994). Moreover, a case study is useful for investigating small companies (Harney & Dundon, 2006). This study can be called an intrinsic case study while it's undertaken to gain a deeper understanding of the case. Executing a multiple case study, using two different SMEs operating in diverse branches, will give greater insight in the behaviour of these SMEs in NBD when using non-systematic processes.

3.2 Cases

This subchapter will introduce the two companies used for the multiple case study. Both companies fall in the category SME and operate in diverse branches. First, the company Outfittery inc. will be addressed, followed by the case of Play Equipment Ltd..

3.2.1. *Outfittery inc.*

Outfittery inc. is a company in the outfitting industry and has 25 employees. Outfittery inc. is organising the whole process of outfitting, where there always is one contact person available. Outfittery inc. survived the financial and economic crisis, but became aware that they have to find other business opportunities to keep the company alive. The idea was that acoustic solutions in offices would be a growing market. That is why the company started developing a new department focusing on acoustic: Outfittery inc. Acoustic. Besides that, the management team saw another opportunity in office renovation. Those two business opportunities can be seen as the new 'big thing' by the management team.

3.2.2. *Play Equipment Ltd.*

Play Equipment Ltd. was founded in 1980 as an importer of durable wooden playground equipment. The company is known nowadays in its current form, which was established in 2006. The wooden playsets are still one of their core businesses, but besides these cash cows there are some new innovative products. They call them

the ‘interactives’ high-end playground equipment for a high-end price, but with a high-end experience factor. Play Equipment Ltd. supplies cool stuff for playgrounds, but also care homes are part of the customer base. Unfortunately, school and community budgets to renew the schoolyards and playgrounds are becoming less and less due to budget cuts, so Play Equipment Ltd. is looking for new business opportunities. The main idea is to sell their outdoor interactive products for indoor purposes.

3.3 Data collection

The data that will be used for this qualitative study is collected through observations. Observational data is often used for describing processes. This study will serve as a multiple case study, since in two different SMEs the development processes of new business opportunities will be observed (Yin, 2014). It is a multiple case study because data of both companies can be compared to each other which makes the research more valid (Stoke, 2006). The data is collected by observing management team meetings. In the meetings of Play Equipment Ltd. the director, one member of the MT and a marketing employee member will attend the meetings. In the meetings of Outfittery inc., the general director, financial director and a marketing employee will be attending. The data will be collected in a period of three months while observing six meetings of Play Equipment Ltd. and five meetings of Outfittery inc.. During these meetings the process of NBD is discussed by the management teams of both companies. In each meeting there will be seven participants and an observer present. The participants attending the meeting are all involved in the process of NBD and have all other roles in the companies. During the meetings field notes are made and afterwards a meeting summary based on important notes is written (appendix A). In total 11 meetings will be attended and observed.

3.4 Data analysis

Collected data has to be analysed. After the attended meetings, the main observations are summarised, these summaries can be found in Appendix A. By means of the

attended meetings, the process of NBD of the two SMEs Play Equipment Ltd. and Outfittery inc. can be noticed. In the first place, the observations will be written down and summarised per meeting. The main findings will be summarised in one report per firm. From these summarised reports the process of NBD concerning these two firms will be analysed. As mentioned earlier, most SMEs are not able to use systematic NBD processes. Therefore, the first part of the analysis is about interpreting the process that the firms used in developing new business (opportunities). So, this part is about characterising the process. The observations of the meetings of both firms will be interpreted by means of Baker and Nelson (2005) three characteristics of bricolage.

The second part is an additional analysis. It is about comparing the two firms in the process of bricolage and exploring how successful both firms are in non-systematic NBD. According to Langley (1999) most process theories provide explanations in terms of sequence of events leading to an outcome (e.g. do A and then B to get C). The meetings are the events in the table. A process can be defined with help of the business dictionary as a sequence of interdependent and linked procedures which, at every stage, consume one or more resources (employee time, energy, machines, money) Moreover, Langley (1999) argues that the analysis of process data requires a means of conceptualising events and of detecting patterns among them.

The data collected by observations of processes do have several characteristics that make them difficult to analyse (Langley, 1999). Langley (1999), proposed seven generic strategies for analysing process data in organisations. One of these generic strategies is the quantification strategy that is used in this study. The quantification approach starts with in depth process data. In this study the process data will be the field notes of the management team meetings (events). After this in depth data is collected, the data is systematically listed and coded in predetermined characteristics defined by Angle and van de Ven, 1989, reducing the complex mass of information into a quantitative set of data which can be better analysed by statistical methods. The quantification strategy fits best with the purpose of this study because it focuses on events, at one or a few cases (Langley, 1999).

Van de Ven and Poole (1990) describe that research done with the quantification strategy starts with stories of in-depth process data and then systematically list and

code qualitative incidents according to predetermined characteristics. Therefore, in this study first detailed real-time data is collected and will give a description of it in the 'process analysis'. After that, this data will be analysed by means of five characteristics or tracks that, according to Van de Ven's team, can be used to analyse each identifiable incident (people, ideas, transaction's, context, and results). Focusing on the goal of this study about new business development processes in SMEs, four characteristics are divided (people, ideas, context, and result into different variables (see table 1). Those variables will give a general overall view of the new business development process in both companies and can be scored per event with 0 or 1, where 0 means 'not present', and 1 'present'. The relation between literature and the choice for those identifiable incidents will be explained in the next paragraph. The five tracks of Angle and van de Ven, 1989 are as follows.

First track, people track, coding of the people involved in an incident, the roles and activities they perform at a given point in time. Second track, ideas track a coding of the substantive ideas or strategies that innovation group members use to describe the content of their innovation in a given point in time. Third track transaction track, the informal and formal relationships among innovation group members, other firms and groups involved in the incident. Fourth track, context/environment track a coding of the exogenous events outside of the innovation unit in the larger organisation and industry community that are perceived by innovation group members to affect the innovation. At last the outcome track, when incidents provide evidence of results they are coded as representing either positive, which means a successful outcome or negative which means a negative outcome or a mixed outcome which means a neutral outcome or an ambiguous outcome with positive and negative outcomes.

Table 1. Qualitative analysis

Characteristics <i>Variables</i>	Event 1 0 = not present / no 1 = present / yes	Event 2 0 = not present / no 1 = present / yes	Event 3 0 = not present / no 1 = present / yes	Event 4 0 = not present / no 1 = present / yes	Event 5 0 = not present / no 1 = present / yes
1. People <i>Underconfidence</i> <i>Risk averse</i> <i>Professional decision making</i> <i>High education</i>					
2. Ideas <i>Research</i> <i>Scenarios</i> <i>Market research</i>					
3. Context <i>Time</i> <i>Money</i>					
4. Results <i>positive</i> <i>negative</i> <i>neutral</i>					
Totaal (n) <i>Score (n/13)</i>					

3.4.1. Variables for different characteristics

Above standing table shows four characteristics, out of van de Ven and Poole, 1990. These characteristics make it possible to code the qualitative data of the observation. The overall total score gives an insight in how successful the company is in the process of non-systematic new business development. Beside characteristics, the table shows events. As already mentioned, these events are the meetings in which I was involved.

First, the characteristic 'people' have four variables: under confidence, risk averse, professional decision-making, and if the people who are involved are high educated (Busenitz & Barney, 1997). According to Busenitz and Barney (1997) those entrepreneurial capabilities are important for a higher success of new business development and are given us an insight of the knowledge level of the team. With the term 'high education' I mean that all involved people had education of HBO or university focusing on marketing or business development.

The second category ideas can be divided into three variables (Schoemaker, 2006). The first one 'research' means if the team did any theoretical research about their ideas. Besides that, 'scenarios' means if the people thought out some scenarios for what could happen. The last one 'market research' can be translated as: did the people do any market research? This characteristic of 'ideas' relates to the idea whether or not decisions were made of gut feeling or bricolage.

The context variable gives an insight in the influence of the new business development organisation wide. This could be positive or negative. For example, a successful process can motivate the rest of the company. A negative influence is also possible, for example when employees should work on both projects, the new business and the existing business and therefore do not have a good focus.

The last characteristic 'result' gives us a view if the meeting has a positive, negative or neutral effect on the process of new business development. So the in short, when a meeting is done, affects it the process positive, negative or neutral.

3.4.2. Comparing both companies

First, a description of observations during the meetings at both companies is given. The comparison between both companies about bricolage is made with the help of the three characteristics defined by (Baker and Nelson, 2005) first, making do, which involves the bricoleur disregarding socially constructed limitations placed on common

practices, standards, and definitions of inputs, second, combining and recombining resources to solve problems, and third, using resources at hand ‘which may be physical artefacts skills, or ideas that are accumulated ‘because they may come in handy’ (Baker and Nelson, 2005; Levi-Strauss, 1967; Miner, Bassoff & Moorman, 2001). These three characteristics are used as a framework to analyse the observational data.

Thereafter, the observations will be supplemented by using the above standing table 1 for all meetings at both companies. This will give an insight in the entrepreneurial capabilities. The result of an event is positive if more than half (.50) can be scored with positive (score=1) (Scruggs, Mastropieri, Cook & Escorbar, 1986). A positive result means that the specific event had the ‘ingredients’ for a high chance of success. What in practice means that at least half of the characteristics should exist. For example, high education, enough money, enough time, goal setting and a raising revenue stream. Then, the result is $> 0,5$ and therefore the meeting is ‘positive’.

After my observations and the table for both companies that can conclude whether or not both SME’s had the resources for systematically develop a new business opportunity, and how they were dealing with the problems they encounter.

4. Findings

This chapter will present the main findings. First, the findings after analysing the Play Equipment Ltd. case will be presented followed by the results of Outfittery inc. In both companies the process of NBD is analysed by means of Baker and Nelson (2005). As mentioned in the literature review, Baker and Nelson (2005) defined bricolage as ‘making do with whatever is at hand’. Bricolage consists of three main characteristics: first, making do, which involves the bricoleur disregarding socially constructed limitations placed on common practices, standards, and definitions of inputs, second, combining and recombining resources to solve problems, and third, using resources at hand ‘which may be physical artefacts skills, or ideas that are accumulated ‘because they may come in handy’ (Baker and Nelson, 2005; Levi-Strauss, 1967; Miner, Bassoff & Moorman, 2001). In order to see how both firms act in the process of bricolage the meetings are analysed with help of these characteristics. First of all the meetings are summarised. After the summary the findings are described on the basis of the three above standing characteristics.

4.1 Results Play Equipment Ltd.

4.1.1 Summary of meetings Play Equipment Ltd.

This company wanted to raise their revenue, so they were trying to broaden their market by segmentation diversification. At that moment, sporting-center approached Play Equipment Ltd. to develop an indoor sport centre for children. Immediately, Play Equipment Ltd. was very enthusiastic about their idea and focused on that project for selling more of their products. Play Equipment Ltd. itself never thought about the indoor market. Until this moment they only deliver for outdoor purposes. During the meetings the relationship between both companies was quite unstable. First, there was a discussion about the time to market term, since sporty-center wanted to open as soon as possible and Play Equipment Ltd. thought about to plan this concept for the long-term. Finally, Play Equipment Ltd. agreed to open as soon as possible. After that, a new discussion started about the products to be equipped in the sport centre.

Play Equipment Ltd. was more focusing on fun, since sporty-center was more focusing on sport. At the end, Play Equipment Ltd. agreed to only put five products in the sport center. They were very disappointed, since they thought the whole sport centre would be furnished with products from Play Equipment Ltd. only. After this discussion, another one started: the Play Equipment Ltd. products were too expensive. Sporty-center found another supplier who sells the same products as Play Equipment Ltd., for half the price. Sporty centre now only wanted to buy only two Play Equipment Ltd. products in the centre, or Play Equipment Ltd. has to reduce their prices. Play Equipment Ltd. could not deliver products much cheaper, and then another discussion started about their appointments. This discussion finally leads to the end of the intended co-operation between Play Equipment Ltd. and sporty-center. There are several reasons why this intended collaboration went out to be a failure. First the two entrepreneurs did not have a common vision. Beside that the cost price of the, for outdoor developed, Play Equipment Ltd. equipment was too expensive for indoor purposes, because competitors were able to deliver comparable equipment for a much lower price.

4.1.2. Play Equipment Ltd. dealing with bricolage in NBD

The first characteristic is making do, which involves the bricoleur disregarding socially constructed limitations placed on common practices, standards, and definitions of inputs. Play Equipment Ltd. tried to sell outdoor equipment for indoor purposes. This is far from ideal, but there was no money and no insight/knowledge to develop indoor equipment.

The second characteristic is combining and recombining resources to solve problems, Play Equipment Ltd. uses their marketing manager to develop the new business opportunity indoor sport centers. This is to reduce loan costs in the begin of the project although this marketing man does not have any experience with indoor playground equipment.

The third characteristic, using resources at hand 'which may be physical artefacts skills, or ideas that are accumulated 'because they may come in handy' The products

developed by Play Equipment Ltd. are designed for outdoor use. Play Equipment Ltd. thought that it was easy to sell the same products for indoor purposes. The big mistake in here was the cost of goods sold. Competitors were able to make the same products for indoor purposes for a much lower price. The reason for this, is that outdoor equipment has to be weather and idiot proof.

4.2 Results Outfittery inc.

4.2.1 Summary of meetings Outfittery inc.

Because of Outfittery inc.'s crisis in 2010, they had to earn more money. The entrepreneur saw several empty office buildings as a result of the economic crisis and thought about renovation of those buildings. While inspecting some of these buildings, he found out that the acoustic was dramatic in many of these buildings. Outfittery inc. started two new business units: Outfittery inc. Acoustics and Outfittery inc. Office Renovation. In five meetings the Outfittery inc. management team discussed the development of this new business opportunity randomly. However, they knew it was better to careful apply this process, for example by using the STP process, the process was done by gut feeling and entrepreneurial bricolage instead of market research. The choice for this approach was because of the lack of time and money to develop the new business with a more systematic approach. During the development of their acoustic department, they found out that there were some potential customers, but actually they did not know how to significantly raise their income. In order to tackle this problem someone out of the team came up with the idea to focus on the top 20 largest companies in Twente and the Achterhoek. The company size was determined by the number of employees. Unfortunately for Outfittery inc., also this segment was not the 'new big thing' or 'Golden Egg'. The orders Outfittery inc. Acoustics get, still come out of their existing network. So, Outfittery inc. acoustics was an obvious way to increase revenue, although they did not get that much new customers. The new business unit office renovation still doesn't generate revenue. In short, Outfittery inc. does not have the knowledge, time

and money to systematic develop their new business opportunities. Instead of that Outfittery inc. develops new business opportunities with whatever is at hand.

4.2.2. Outfittery inc. dealing with bricolage in NBD

The first characteristic is making do, which involves the bricoleur disregarding socially constructed limitations placed on common practices, standards, and definitions of inputs. To get better acoustics in an office, quite professional solutions are available on the market. Like for example special designed furniture. Although this is a good solution for better acoustics, Outfittery inc. based their solution on the outfitting industries with suspending ceiling as their best solution. They did not have the knowledge to develop own solutions for better results

The second characteristic is combining and recombining resources to solve problems, To reduce loan costs, employees from the outfitting BV were used for the acoustic BV and office renovation BV. So the combining of personnel for the three different companies was a form of cost reduction.

The third characteristic, using resources at hand ‘which may be physical artefacts skills, or ideas that are accumulated ‘because they may come in handy’ This character was also present at Outfittery inc., while the current management team of the outfitting BV were also the new business development team for the two new BV’s. The people who were involved were not educated to be in a role of new business developer, but had some experience in business and marketing in particular.

4.3 Successfulness of non-systematic new business development

This section will present the results of the two analysed SMEs; Play Equipment Ltd. and Outfittery inc. to what extent the entrepreneurial characteristics were presented in the firms. As described earlier the entrepreneurial characteristics an affect the way in which SMEs perform in the process of new business development without a systematic approach. To what extent these characteristics are visible influence the successfulness of a SME in non-systematic NBD. First, the results of Play Equipment Ltd. will be addressed, followed by the results of Outfittery inc..

Table 2. Scores Play Equipment Ltd.

<i>Characteristics Variables</i>	<i>Event 1 0 = not present / no 1 = present / yes</i>	<i>Event 2 0 = not present / no 1 = present / yes</i>	<i>Event 3 0 = not present / no 1 = present / yes</i>	<i>Event 4 0 = not present / no 1 = present / yes</i>	<i>Event 5 0 = not present / no 1 = present / yes</i>	<i>Event 6 0 = not present / no 1 = present / yes</i>
<i>1. People</i>						
<i>Underconfidence</i>	0	1	1	1	1	1
<i>Risk averse</i>	0	0	0	0	0	0
<i>Professional decision-making</i>	0	0	0	0	0	0
<i>Education</i>	1	1	1	1	1	1
<i>2. Ideas</i>						
<i>Research</i>	0	0	0	0	0	0
<i>Scenarios</i>	0	0	0	0	0	0
<i>Market research</i>	0	0	0	0	0	0
<i>3. Context</i>						
<i>positive</i>	1	1	0	0	0	0
<i>negative</i>	0	0	0	0	0	0
<i>4. Results</i>						
<i>positive</i>	0	1	1	0	1	1
<i>negative</i>	1	0	0	1	0	0
<i>Total (n)</i>	3	4	1	2	2	2
<i>Score (n/13)</i>	0,27	0,36	0,15	0,09	0,18	0,18

The scores of Play Equipment Ltd. vary per event from .09 to .36. All scores are less than .50, what means that they do not have enough 'good points' for a high chance of success. Play Equipment Ltd. tried to increase their successful new business development by finding a strategically partner. They found a partner but it did not work out that good. Play Equipment Ltd., namely, fully focused on their 'new opportunity' without having a cognitive framework about their switch from outdoor to indoor playground equipment (Sarasvathy, Simon & Lave, 1996). They started their new business opportunity because of their gut feeling they would earn enough money with this new kind of business.

Besides the collaboration, Play Equipment Ltd. can be seen as risk takers and rugged individualists, who are only acting out of their personal interests, since they were developing their new business opportunity without doing research and with one goal: sell as much as possible (Ardichvili et al., 2003). Their self-efficacy had the result that at the end, they only sold two of their products.

Moreover, Play Equipment Ltd. can be seen as 'bricoleur'; First of all, not enough knowledge of theoretical frameworks to set up new business was available. Because of their lack of money, they could not hire a well-qualified employee to investigate the possibilities of their new idea for business. Another factor, this firm has to deal with, was time. The fact they could not hire a person which has experience in new business development, resulted in the fact that someone inside the company has to have a 'second focus' on this new opportunity due to his core workload. So the new business is always second place for this person.

Overall can be concluded that Play Equipment Ltd. tried to increase their chance of success for new business development by collaborating, made decisions by gut feeling, and 'do with whatever is at hand' (bricolage). Beside that there was too less money to hire good experienced and educated people. It can be concluded that their development of new business opportunity failed. The reason of failure is first a lack of resources on the other hand the team and especially the entrepreneur himself was quite cocky and thinks business will succeed on gut feeling. Their chance of success would be higher if more variables of table 1 were available.

Table 3. Scores Outfittery inc.

Characteristics Variables	Event 1 0 = not present / no 1 = present / yes	Event 2 0 = not present / no 1 = present / yes	Event 3 0 = not present / no 1 = present / yes	Event 4 0 = not present / no 1 = present / yes	Event 5 0 = not present / no 1 = present / yes
1. People					
<i>Underconfidence</i>	0	0	0	0	0
<i>Risk averse</i>	1	1	1	1	1
<i>Professional decision-making</i>	0	0	0	0	0
<i>Education</i>	1	1	1	1	1
2. Ideas					
<i>Research</i>	1	1	1	1	1
<i>Scenarios</i>	0	0	0	0	0
<i>Market research</i>	0	0	0	0	1
3. Context					
<i>positive</i>	1	1	1	1	1
<i>negative</i>	0	0	0	0	0
4. Results					
<i>positive</i>	1	1	0	0	1
<i>negative</i>	0	0	0	0	0
Totaal (n)	5	5	4	4	6
<i>Score (n/13)</i>	0,46	0,46	0,36	0,36	0,55

The scores of Outfittery inc. vary from .36 to .55. These scores are higher than those of Play Equipment Ltd., so Outfittery inc. is a bit more successful, but still most the events are having scores lower than .50. Outfittery inc. thought they had find their opportunity in acoustic, because of gut feeling of the management team, but without proper investigation and without having any contact with other companies who know something about acoustics (Baron, 2006).

Outfittery inc. started this new opportunity without having knowledge of this matter. Therefore, they can be seen as risk-takers (Begley and Boyd 1987; McGrath et al. 1992). Outfittery inc. already earns money with their acoustic opportunity, but they did not know actually who their target group is and how to position acoustic in the market.

At last, also the management team of Outfittery inc. can be seen as 'bricoleurs', because of their lack of resources, such as time and money. To deal with this lack of money, they involved a person who already worked for the company to set up this new business development. He had to do this besides the tasks he already had at the company.

At the end of the analysis there was a little increase of revenue, but this revenue was not enough to be a self-contained business unit. Most of the scores of the events (4 out of 5) had a score lower than .50. Only the score of the last event was higher (.55). So they did better and better, but higher scores are needed to be more successful. On the other hand, their process of new business development has not ended yet. As already mentioned, a little increase of revenue was seen, but the future must show if this new developed business will be a sustainable success. The overall conclusion at Outfittery inc. is quite familiar to the conclusion of Play Equipment Ltd.. Outfittery inc. also had to work with a lack of resources.

5. Conclusion

This part will attempt to give an answer on the research questions which has been drawn in the beginning of this study. In order to survive as a firm, it is needed to keep innovating and developing new products. Not all firms have the possibility to use systematic business models in the process of NBD. These firms are often classified as an SME. Therefore, these SMEs frequently rely on non-systematic NBD. A main non-systematic process is bricolage. The focus of this study is on non-systematic NBD in SMEs. Hence, this leads to the following formulated research question:

How can small and medium-sized enterprises deal with the process of realising new business opportunities in the absence of a systematic tool for the development of these new business chances?

Overall, both companies experienced several problems during their process of NBD and tried to solve those problems in different ways. As resulting from the analysis part, both companies can be categorised as a bricoleur. First, both firms did not have the right resources, such as time, knowledge and money, to develop a new business opportunity. Therefore, both firms handled out of their gut feeling and coupled their existing resources to make the best of it. Besides that, money, knowledge and experience were a major issue for both companies, which can be summarised as a lack of resources. Play Equipment Ltd. tried to deal with the lack of resources by collaborating with another company. At first, it seemed a good idea, however it did not pay out in any success in this case due to a missing synergy between the two collaborating firms. The problems at Play Equipment Ltd. are quite similar to the problems of Outfittery inc.. A lack of some important resources is also a problem for Outfittery inc.; such as time and money and therefore well-educated people. Because of the lack of money, the firm could not hire people that just focus on the NBD process. Therefore, the focus was not only on NBD but also on the current cash cow business, which negatively affects the success rate. In both firms it was the entrepreneur who tried to solve this lack of resources by entrepreneurial capabilities. Therefore, these capabilities are also involved in this study. Both entrepreneurs have a lot of experience and take many decisions on gut feeling. In the case of Play Equipment Ltd. the entrepreneurial capabilities were not sufficient enough to make up the lack of resources. Outfittery inc. was more successful.

The main goal of this study is to get insight in SMEs dealing with the process of non-systematic NBD. As already mentioned above, both companies do have sort of the same problems during the process. It was expected that small and medium-sized enterprises face resource constraints regarding the use of advanced analytical tools during the NBD process. More specifically, small and medium-sized enterprises face monetary constraints as well as a lack of expertise related to the process of successful new business development. However, some of these shortages may be captured by entrepreneurial skills. The main problem in the process of NBD for SMEs is that they do have a lack of money, knowledge and time. Because of the scarcity in money and therefore people/employees, the focus is not only on the new business opportunity, but also on the existing core business, which did not help. Besides, there are also positive signs. As already mentioned, SMEs can often be seen as entrepreneurial firms. Which means that the firm is founded and directed by an entrepreneur. Entrepreneurs have out of nature some talents that make them successful or not. As seen by Outfittery inc., an entrepreneur can raise revenue by gut feeling and intuition. In the case of Play Equipment Ltd. it was less successful. The observations during the meetings showed the presence of the bricolage approach from the first moment. The first scarcity in resources were explored and in both companies the rest of the process was 'let's do it with the things we have'. The first meeting started with a blank paper investigating the possibilities for new opportunities using the available resources, both tangible and intangible. The SMEs both used non-systematic approaches but were not as much successful for developing new opportunities.

5.1 Recommendations

It is clear that SMEs, or at least the two SMEs involved this study, do have a major problem with non systematic new business development. Especially the lack of resources during the process of new business development is a major issue

Although literature suggests that especially entrepreneurs can do new business development without systematic new business development models in pursuing business chances (Sarasvathy, Simon & Lave, 1996). The lack of resources could be tackled by involving a third party. This could be a professional firm, but it can also be a good case for students to be

involved in the process. In this way, well-educated people are involved for a low price. Inexperience of the students might be an issue, but it is definitely better than just gut feeling. On the other hand, SMEs can solve their problem of a poor cognitive framework by introducing a sophisticated method or model. Since most entrepreneurs are having a lack of time and money for introducing an empirical method, I can highly recommend them 'Osterwalder business model canvas' (Osterwalder, 2004). Osterwalder has also a tool which can help when a company is within their new business development process, this is the pain and gain tool. It is actually not a model or a theory, but more or less a tool that helps finding out what the uniqueness and customer value is of a business opportunity. Those theories and methods are not very complicated and do not take that much time, these can perfectly applied as a framework to guide the process. Regarding to the bricolage process in both company I would recommend both companies to investigate the capacity of the several resources needed before the new business opportunity is going to be explored. It took a lot effort in both cases to explore the new business opportunity and in both cases the results were not that successful as it should. So a lot of resources are spend with almost no result.

6. Discussion

However, most organisations highly focus on their core business and are not ready to explore new business opportunities (Burgers, van den Bosch, Volberda, 2007). In this study, both companies were willing to explore new business opportunities, but there was not money enough to hire new employees to develop a new business opportunity. More or less the current core business was the reason that the new business opportunity was not an overwhelming success. Charneck (2004) claims that the process of NBD is difficult because decisions are mostly made in dynamic and changing environments, especially in the case of Outfittery inc. their branch is very sensitive to changes and highly dynamic. This study states that most SMEs can more or less be seen as entrepreneurs. Shortcomings in resources mostly lead to a obliged use of non-systematic NBD approaches. Then decisions are based on gut feeling and bricolage (Sadler-Smith & Sheffy, 2004). One of the investigated firms did not have the financial resources that they were used to have due to the financial crisis. Nevertheless, it is highly important to explore new business opportunities in order to compete and survive. Therefore, the firm relies on bricolage; making do by applying combinations of resources at hand to new problems and opportunities. Sarasvathy, Simon & Lave (1996) suggest that especially entrepreneurs can do without systematic new business development models in pursuing business. Well, the findings suggest that not both firms were successful in non-systematic NBD using bricolage.

6.1 Limitations & Follow up study

Although, the sample size of this study is relatively small. A sample of two firms is probably too small in order to generalise the findings for all SMEs. Suggested is a follow up study that concerns more SMEs to gain a deeper insight in how these firms deal with not-systematic NBD when the systematic approaches cannot be used. Moreover, this study only concerned two SMEs and used exclusively data collected through observations during meetings. The gathered data was of higher quality if for example in-depth interviews were declined after the observations. If so, the process could have been a bit clearer and there could be better insight in the decisions made. Beside above standing limitations, it would be interesting for follow up studies to investigate both sides of bricolarity, intrapreneurial bricolage and resource

bricolary. Instead of only a focus on resource bricolary.

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Appendix A Play Equipment Ltd.

Observations Play Equipment Ltd.

Observations meeting 1

In March 2014, Play Equipment Ltd. and Sporty-Center had their first meeting. The first contact was informal and took place at Sporty-Center. Both parties told each other the history of their companies. As well as their plans for the future and of course their qualities. They found out each-other's strengths. The great strengths of Play Equipment Ltd. are its capabilities to create a unique playground with a "wow-factor". For the price you pay, you get a unique playground which is a real experience to play on. The strengths of Sporty-Center are that it is founded by a very enthusiastic and ambitious entrepreneur. The entrepreneur of Sporty-Center sees business opportunities everywhere and nothing can stop him from reaching his goals. He takes all opportunities and has proven himself successful by running 3 indoor tennis halls before.

After the pleasant acquaintance the conversation went more formal. What were the plans of both parties? And what do they expect of each other? Is there a chance to make such a collaboration beneficial for both? Play Equipment Ltd. told Sporty-Center their qualities and showed Sporty-Center some examples of some playgrounds they had designed and delivered before. They also told about their business and the ambition to get a broader scope by using new business opportunities to grow. One of them is the possibility to sell their interactive playground equipment for indoor purposes.

Sporty-Center told Play Equipment Ltd. that he has four indoor tennis playgrounds that were not that beneficial as expected. He was looking for new business opportunities to fill in the space and hopefully get a better profit margin on the square meters. He came up with some ideas. The one that sounded the best to both was an indoor sports centre especially for children. He thought that this was never done before and nobody could imitate it. Kids can come in and have a great time while playing some different sports, of course with professional guidance, for the lowest price possible. Play Equipment Ltd. was overwhelmed and convinced this was the best opportunity for new business development. This entrepreneur from Sporty-Center was amazing. He was very enthusiastic, very ambitious, well informed and has got a history in the indoor sport branch, together with the products delivered by Play Equipment

Ltd. this must be a golden combination for the future. Some quotations just after the first meeting:

New business development manager Play Equipment Ltd.:

'Sporty-Center is a really great company, the vision is clear and the entrepreneur is really fantastic, this must be the best chance in years and we're going to join him and perhaps in a few years we have a franchise formula and take over the world with the Play Equipment Ltd. /Sporty-Center sport centre!'

Entrepreneur Sporty-Center:

'The products of Play Equipment Ltd. are bench mark, what they design and deliver is the best you can get although it is not the cheapest solution, I think it is far the best solution. Beside the products also their capabilities to create a unique experience is good to see and gives me confidence for the future project.'

At the end of the meeting both parties made the appointment that Play Equipment Ltd. was going to come up with a plan to create a kids sport centre by using their own products.

From this first meeting, we can analyse that the joint venture is only in the starting blocks. Both parties are willing to cooperate. They see the joint venture as a win-win situation, but they don't tell each other everything they know. Here the cooperation versus competition tension is balanced. This is preferable according to Das and Teng (2000). The entrepreneurs are together in a flexible attitude. Both want to make the best of the joint venture and are willing to put in all efforts needed.

There was a short synthesis in the first event. Here, Play Equipment Ltd. and Sporty-Center agreed on the intent of their plans. However, during the meeting, Sporty-Center proposed that he wanted to open on the first of September. This was not in line with the idea of Play Equipment Ltd. to develop a unique franchise formula. Hence, it leads to an antithesis where Play Equipment Ltd. was long term oriented, and Sporty-Center short-term. This was the first conflict.

Observations meeting 2

The second meeting was planned at the Play Equipment Ltd. headquarter. The play set manufacturer had made some drawings with their vision on the kids sport centre. And a presentation with their plans as well. They also included an operational budget for the first

year and they estimated the visitors they thought that was needed. Play Equipment Ltd. was still enthusiastic and Play Equipment Ltd. came up with the idea to involve some business model experts to help with the creation of a franchise business model. This plan was the real deal and not only Utrecht, but the whole world has a need for this product.

After the second meeting the companies were still willing to cooperate with each other. The competition versus cooperation tension from Das and Teng (2000) is in balance. The companies are planning together, but both keep their own ideas on the execution of the plan and cooperation.

The flexibility versus rigidity tension is also in balance. Both companies continuously adjust their plans. Sporty-Center does everything based on his feelings. On the other hand, Play Equipment Ltd. relies more on numbers and involves 2 business modeling experts.

Both entrepreneurs were now focused on the short-time orientation of the plan. This synthesis came out after the first meeting. Play Equipment Ltd. was long-term oriented, but now sees the importance of the short-term planning. This was the antithesis from Sporty-Center, who was short-term oriented from the beginning. There came a synthesis where the plans are made for short-term, but with options to long-term orientation.

This is not the optimal situation according to Das and Teng (2000), who mention the best situation is when short-term and long-term are focused on equally.

Observations meeting 3

During the third meeting Play Equipment Ltd. presented a concept version of their ideas. The whole hall was filled with Play Equipment Ltd. products and the accent was on fun and a unique experience. Sporty-Center liked the idea and design, but according to the owner there was not enough possibility to do sports, instead of fun. Both parties discussed about the experience and about the dilemma sport or fun. Play Equipment Ltd. has a preference for the fun factor because they think there is a better fit with their products. Sporty-Center has a preference for an accent on sports. Problem is that Play Equipment Ltd. has not that much sport related products in its portfolio.

Here started a discussion, Play Equipment Ltd. wants to sell as much products as possible. Sporty-Center wants the best concept for a kids sport centre.

Beside this difference in opinion there is another remarkable issue during this meeting. I will discuss that after some quotations.

Play Equipment Ltd.:

'Sporty-Center has to find out what markets demand can be filled. We don't know which accent is right or wrong, sport or fun. And beside that we don't know what the best revenue model is. Sporty-Center has to find out these things.'

Sporty-Center:

"Play Equipment Ltd. is benchmark; I expect a design that is perfect balanced with exciting products for a good price. I won't have to look for other suppliers, but their price has to be competitive'. Together we have to develop the best possible franchise formula."

Out of these quotes I can conclude that the two parties have a conflict in this project. Play Equipment Ltd. sets an thesis when it wants to sell as much as possible products. Sporty-Center sets an antithesis when it wants to create the best solution possible. In the third meeting, it has not come to a synthesis.

The cooperation versus competition tension is being pulled at both sides. Play Equipment Ltd. wants to cooperate, but has some differences in meaning with Sporty-Center. Sporty-Center on the other hand is going more towards competition when he mentions he is looking for other suppliers. The cooperation and competition values are not in complete balance anymore, which is not the ideal situation according to Das and Teng (2000).

The thesis and antithesis here formed a conflict, but it did not work out in a synthesis. Both parties are going for their own success. 6 Both companies take a rigid standing point when it comes to the negotiation. Play Equipment Ltd. wants fun products, whereas Sporty-Center wants a focus on sports. The flexibility has moved out and does not balance the rigidity. Where there before has been synthesis on this tension, it seems that the flexibility has asked to much of both entrepreneurs and there seems no balance anymore.

Observations meeting 4

Between the third and the fourth meeting some different drawings were exchanged. It seems to be that there was an agreement. Five products of Play Equipment Ltd. supplemented with some products from other manufacturers.

This would draw a perfect example of the dialectical theory. The two opposing values of sport and fun conflict, but after that come together in a synthesis which is a combination of both.

This sounded like the perfect solution and both parties should be satisfied. But, Play Equipment Ltd. is disappointed about the number of products used and Sporty-Center is not sure about the amount of money to be invested. The first meeting synergy is almost gone and both parties are disappointed in the collaboration so far. Significant detail in this phase was the quotation of the general manager of Play Equipment Ltd.

General manager Play Equipment Ltd.:

'This is going to be a hard negotiation; I will give Sporty-Center a maximum discount of 15%'

They were working on plans to build a franchise formula with Sporty-Center as a new business model. But if you talk about the negotiations with your intended business partner like this, I doubt if Play Equipment Ltd. wants to work together on a new business, or wants to sell as much as possible products, like their current business. The plan from Play Equipment Ltd. has changed from cooperation towards competition. There is no balance anymore in the cooperation versus competition tension according to Das and Teng (2000). Both entrepreneurs see each other not any more as partners. There has been a synthesis on the plans, but this has now again changed towards a new thesis and antithesis. This is a good example of the dialectical theory, where syntheses never last. The synthesis always becomes a new thesis.

Observations meeting 5

Sporty-Center wants to buy only two products of Play Equipment Ltd.. The products are too expensive and competitors deliver almost the same products for indoor purposes, for about half the price Play Equipment Ltd., charges. It is a big disappointment for Play Equipment Ltd.. They had invested a lot of time in this intended collaboration.

Business development manager Play Equipment Ltd.:

29-4-2014 19:58

“I have just spoken to owner Sporty-Center. He is going totally his own way. From Play Equipment Ltd. only 2 products. Nevertheless, business case remains.”

Sporty-Center has now gone further on its own. No cooperation anymore. The thesis and antithesis did not make it to a synthesis but broke up. Play Equipment Ltd. has gone back to its role as a supplier. Play Equipment Ltd. still wants to cooperate but there is no future in this plan. The different visions of both entrepreneurs harmed the possible joint venture. After the first meeting there was a synthesis on the plans, but in the start-up process the different visions led again to a conflict. This is as it always happens according to the dialectical literature. The synthesis becomes a new thesis, with antitheses affecting this.

Sporty-Center goes further on only feeling, where Play Equipment Ltd. wanted to have everything sought out. This difference in the rigidity versus flexibility dimension was too big to become a good joint venture.

Observations meeting 6

Play Equipment Ltd. tried to convince Sporty-Center that their products are much better and are the key to success for the indoor kids sport centre. This made no difference since Sporty-Center firmly supports its own decision. The lower investment for almost the same products made the difference to the owner.

Some quotations after this meeting:

Play Equipment Ltd.:

‘Sporty-Center is only driven by intuition, nothing is calculated and none of their decisions are based on proper research. Beside this we visited a presentation from company Y for people who were interested in indoor sport solutions. It was a mockery, nothing was prepared and it was very amateurish. The only reason why Sporty-Center wants to work together with us because of our fantastic business network, liquidity state and our fantastic products’.

Sporty-Center:

‘During these few months it is clear to me that the intention of Play Equipment Ltd. was only to sell as much products as possible. There was never the intention to develop a franchise formula on their side. Prices were sky high and they never came up with solutions that were beneficial for the concept. Also their calculations and market research was very bad, this

concept is in advance a great success. The centre opens 1st September and I will only buy two products of Play Equipment Ltd. '.

From these quotes I can say that the cooperation is completely gone. The cooperation versus competition tensions of Das and Teng (2000) is not in balance at all. The companies are not willing to work together, but they blame each other for the failure and give each other bad names.

The cooperation has moved to competition. Sporty-Center focusses only on the short-term. He wants to open his center. Play Equipment Ltd. focusses on the long term, the new business development.

Also this is a good example of dialectics. There has been a state in which the plans were aligned. This was a thesis state. Then there became tensions, the antitheses. The conflict was due but could not be resolved. The synthesis followed that both companies go their own way and have only a seller-buyer relationship.

Appendix B Outfittery inc.

Observations Outfittery inc.

Observations meeting 1

Just an introduction.

Observations meeting 2

The team discussed about using an STP model.

One way of using benefit/value-based segmentation is by focusing on ‘why’ future customers will not buy your product. First, the customer might not have enough money to solve acoustic problems. Second, the company might not see the seriousness of poor acoustic. The last segment can be made by looking at Outfittery inc.. It might be that they did not succeed in delivering enough pain relievers or did not give enough gain creators.

Observations Meeting 3

Because there was no customer who wanted to buy the product, Outfittery inc. wanted to use the segments of ‘why’ future customers will not buy the product. First, these segments will definitely be attractive in the future, because they need to change something. Otherwise, no one will buy acoustic products. Second, resources are demanded to be attractive for future customers. Outfittery inc. thinks that they can met these demands. Third, it is demanded of the management team to have time for the development of the acoustic department. This will match their preferences, because a few people of the company are already only focusing on the development of the acoustic department. Also the fourth question can be answered with a ‘yes’. Although no company wanted to buy new acoustic products, Outfittery inc. thinks it needs a bit time and knowledge about the products for companies before they will buy it. Concluding, the segments can be selected.

Observations meeting 4

The positioning process used by Outfittery inc. was the 4C model. This model consists of the following parts: clarity, credibility, consistency, and competitiveness. Outfittery inc. wants to present themselves as the overall problem solver. The second variable, credibility, means that the brand has to have a fair price, at where it stands for, it must be credible in the mind of your customer. Probably, the companies did not have a budget yet for buying the acoustic

product. The third is consistency, what means that your message should be clear but also consistent. The conclusion at the meeting with the management team was that Outfittery inc. focused on their 'free measure', but they are still looking at the best way for selling their product. It might be not clear enough for future customer that improving the acoustic at your company is better for your employees. The fourth is competitiveness, the product/service should have a competitive advantage. For Outfittery inc. this competitive advantage is that they deliver the whole process of testing and installation of the acoustic solution and the after sales as well.

Observations meeting 5

In this meeting the team evaluated the application of the STP process in practice. In the beginning the team took decisions by gut feeling. After this whole process there was the notion that marketing theories were quite useful in today's day to day business situation. So there was the overall opinion that they should do more with theoretical frameworks. But, the STP process was a bit complex. The team did not have enough time and knowledge to proper apply this process in practice. Another fact is that there was a limitation of resources. None of the actors of the management team had an appropriate level of the theoretical concepts, what made it more difficult to use the STP process. As an alternative way to apply some theories in their business the team was quite enthusiastic about the Osterwalder business model canvas and the Osterwalder value proposition tool. Two quite easy to apply tools to help the team in brainstorm sessions to come to clear and proper business plans and products that do have a meaning for their customers.