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# How Opportunities Develop in Social Entrepreneurship

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**The purpose of this article was to extend existing research on opportunity identification in the social entrepreneurship literature through empirically examining this phenomenon. We used an inductive, theory-building design that surfaced patterns in social value creation across multiple case studies. The patterns showed actors seeing a social need and prospecting ideas that could address it. Data also revealed multiple, not individual, actors, dynamically engaged in interactions that nudged an opportunity into manifestation. Also, data suggested complementarities to effectuation and rational/economic processes that are divergent theoretical approaches to the study of entrepreneurship to date.**

**T**he term social entrepreneurship (SE) covers a range of societal trends, organizational forms and structures, and individual initiatives (Roper & Cheney, 2005). It has been broadly conceptualized as projects that reflect two key elements: an overarching social mission and entrepreneurial creativity (Nicholls, 2006; Peredo & McLean, 2006). Much of the research on SE to date has focused on defining and describing this phenomenon (Hockerts, 2006; Mair & Marti, 2006). Strongly featured in these descriptions is the idea of opportunity recognition or the identification of opportunities to solve social problems or create social value (Dees, 2001, 2007; Mair & Marti; Peredo & McLean; Shaw & Carter, 2007; Thompson, 2002; Weerawardena & Mort, 2006). SE, thus, is similar to commercial entrepreneurship in that the recognition of opportunities to create or innovate is the initiation point of the entrepreneurial process (Austin, Stevenson, & Wei-Skillern, 2006). However, scholars suggest that opportunities for SE are likely to be distinct from opportunities in the commercial sector and need to be examined in their own right (Dorado, 2006; Robinson, 2006).

Research has begun to explore opportunity recognition in the SE domain. Initial research suggested factors that may influence opportunities perceived by social entrepreneurs. For example, opportunity recognition for a social entrepreneur could be shaped by the social mission (Dees, 2001) or by social and institutional barriers to entry in a particular social market (Robinson, 2006). Also, scholars have conjectured that the social entrepreneur's background may shape what opportunities he or she recognizes (Dorado,

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2006; Mair & Noboa, 2006; Robinson). This idea is consistent with findings in the commercial entrepreneurship literature that showed that a person's background affected the opportunities he or she perceived (Shane, 2000), but this idea has not been clarified in SE (Dorado).

Unfortunately, we still know very little about the opportunity recognition or identification processes of social entrepreneurs (Mair & Noboa, 2006). Very few scholars have explored this process of opportunity recognition outside of for-profit entrepreneurship (Shaw & Carter, 2007). Investigations into the formation of new social ventures have been very focused on the social entrepreneur and not on the process whereby the venture unfolds (Goldstein, Hazy, & Silberstang, 2008; Robinson, 2006). It is essential that this process be explored in the domain of SE since the notion of opportunity recognition is a defining characteristic of entrepreneurship (Mair & Marti, 2006). Empirical exploration of this defining characteristic may well illustrate SE as a distinctive realm within the broader field of entrepreneurship.

The purpose of this article is to extend existing research on opportunity identification in the SE literature through empirically examining this phenomenon. In particular, we ask the following research question: How are opportunities to create social value identified and exploited? Answers to this question also begin to address the call in the literature to better understand the many kinds of value creation beyond economic value creation being practiced in society today (Drucker, 1993; Yunus, 2007). This "how" question is examined using an inductive, theory-building case study methodology (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

## **Background**

### **SE Opportunities**

At the heart of entrepreneurship, be it social or commercial, is the notion of opportunity recognition (Austin et al., 2006; Mair & Marti, 2006). Opportunity is a favorable set of circumstances for doing something such as establishing a new venture and was brought into the foreground of entrepreneurship by Drucker (1993) and others who began writing about opportunity recognition and exploitation as being at the heart of entrepreneurship (Cassons, 1982). More recently, scholars continue to view opportunity recognition as a key focus when examining the phenomenon of entrepreneurship (Eckhardt & Shane, 2003; Shane & Venkataraman, 2000; Singh, 2001).

Despite the overlap, scholars maintain that SE opportunities are different from their commercial counterparts (Austin et al., 2006; Dorado, 2006; Mair, 2006; Robinson, 2006). Researchers forward several ways in which SE opportunities are likely to be unique in comparison with commercial opportunities. First, SE opportunities are focused on social problems; they involve attempts to create social value (Dees, 2001; Dorado; Thompson, 2002). Social value creation is about resolving social issues such as generating income for the economically disadvantaged or delivering medical supplies to poverty-stricken areas of the globe and requires innovation just as economic value creation in the commercial sector does (Dees, 2001, 2007). Stated differently, social value creation is about engaging with social problems and trying to generate solutions for these problems (Thompson). Opportunities to create social value surface through philanthropic activities, social activism such as fair trade importing, and through notions of self-help that engender systems enabling people to help themselves similar to the microfinance movement (Hockerts, 2006).

A second but related way in which SE opportunities can be distinguished concerns the context in which these opportunities surface, get recognized, and get exploited. Robinson

(2006) describes how SE opportunities are embedded in a social or community context, a context different from that of commercial opportunities. Social entrepreneurs, thus, may encounter social and institutional barriers to exploiting these opportunities (Robinson). The organizational forms that have emerged to address opportunities in this context also are unique; social enterprises often take the form of hybrid organizations that have both for-profit and mission-driven, not-for-profit characteristics (Alter, 2006; Hockerts, 2006; Mort, Weerawardena, & Carnegie, 2003; Townsend & Hart, 2008). The new organizational form of the community interest company was legislated in 2004 in the United Kingdom to facilitate the creation of organizations in this social context, organizations with social objectives whose surpluses are principally reinvested to achieve objectives for selected communities.

Unfortunately, the topic of opportunity recognition remains relatively unexplored outside the domain of commercial entrepreneurship (Shaw & Carter, 2007) and in particular, is unexamined in SE (Mair & Marti, 2006; Mair & Noboa, 2006). Scholars have asked questions regarding SE opportunities wondering if these are found or created, but these questions remain unanswered (Mair, 2006). The importance of researching this topic is reinforced by two studies that provide empirical evidence corroborating opportunity recognition as a key theme in SE (Shaw & Carter, 2007; Weerawardena & Mort, 2006). Also, the topic's importance is emphasized by scholars who call for research examining the SE process and describe how opportunity recognition is central to that process (Mair & Marti). The current study investigated this relatively unexamined topic in SE by inducing theory about opportunity recognition from multiple case studies. To frame the study, we used two contrasting theoretical approaches to understanding opportunity recognition from the broader entrepreneurship literature: rational/economic and effectuation. The next section reviews these approaches and highlights that they have surfaced in the SE literature, albeit somewhat implicitly.

### **Rational/Economic and Effectuation Processes**

As already stated, the entrepreneurship literature has identified the two phases of opportunity recognition as standard parts of the entrepreneurial process (Cassons, 1982; Shane & Venkataraman, 2000). Importantly, the study of entrepreneurship emerged from the economics discipline so that a rational/economic approach underlies most of entrepreneurship research (Foss & Klein, 2005; Sautet, 2002). This approach says entrepreneurs notice or discover a tangible opportunity such as a new product or venture and follow a normative decision-making process to implement this precise idea. Normative choices involve gathering all relevant information, generating and systematically evaluating all possible alternatives, and choosing the alternative that optimizes the entrepreneur's personal wealth (Alvarez & Barney, 2007). Even research that acknowledges the entrepreneur's inabilities to achieve this normative process, such as that on cognitive limitations, still sees the entrepreneur trying to approximate this highly rational, goal-oriented process (Sarasvathy, 2001). As such, the rational/economic view tends to see opportunities as objective phenomenon with an existence separate from human perception waiting to be discovered or noticed by alert individuals (Alvarez & Barney). Much research, therefore, has focused on individual entrepreneurs to find out what is special about them such that they notice opportunities when others do not (Alvarez & Barney). According to this rational/economic approach, the entrepreneur addressing a social issue would begin with a desired outcome in mind, a particular kind of social enterprise, for example, and then assemble the resources necessary to achieve that particular outcome. This rational/economic view is reflected implicitly in the SE literature when

scholars question if opportunities are found (Mair, 2006). Found or discovered opportunities exist independently from prospective entrepreneurs, waiting to be noticed and exploited.

More recently, a view of entrepreneurship has emerged that provides an important alternative approach to the rational/economic model that has dominated the literature. It is called effectuation and considers entrepreneurship as a series of decisions made in the absence of any structure that would make normative techniques possible, decisions such as how and who to hire for an organization that does not yet exist (Sarasvathy, 2001; Sarasvathy, Dew, Velamuri, & Venkataraman, 2003). A key principle of effectuation is that an entrepreneur begins not with a precise product, service, or venture in mind, but with a set of means that can be used to address a good idea (Sarasvathy). Means are idiosyncratic to the entrepreneur and encompass his or her skills, resources, and people who could help address the area of interest. For example, a person interested in a social issue would begin by considering the means he or she had available to do something about the issue. Sarasvathy illustrates with the example of a chef. The effectuating chef opens the cupboard to see what utensils and ingredients are available, who might be around to assist, and prepares one of many delicious meals that is possible given the means. Which ingredients are selected and how they are combined are the series of decisions considered in an effectuation approach to entrepreneurship. We see this effectuating chef echoed in Dees's (2007) description of SE opportunities resulting from messy, active learning processes. In contrast, a chef, following the classic rational/economic approach, picks a meal (outcome) in advance and then assembles the means (ingredients, utensils, assistance) to create that outcome (Sarasvathy).

In further contrast to the economic model, effectuating entrepreneurs are molders and creators of their immediate environment rather than predictors of and reactors to events in the world (Sarasvathy, 2001). Entrepreneurs, thus, attempt to shape and create a workable solution to a perceived need rather than divine a normatively ideal way to meet the need (Sarasvathy). In the case of social value creation, effectuating entrepreneurs would try to shape and create a solution to a social need based on resources at hand rather than trying to predict what the ideal solution would be and assemble resources to manifest it. Effectuation processes thus seem to include the very creation of entrepreneurial opportunities since the entrepreneur combines means to enact one of many outcomes made possible by the unique combination of means at his or her disposal at a given point in time (Sarasvathy). As such, the opportunities that do emerge in time are created, not found or discovered. This aspect of effectuation surfaces implicitly in the SE literature when one of its preeminent scholars asks if SE opportunities are created instead of "found" (Mair, 2006).

Also, effectuation highlights interactive processes that can involve intense negotiation among the entrepreneur and various stakeholders within the effectuation approach (Sarasvathy et al., 2003). Who comes on board to join the venture determines what its goals and outcomes will be (Sarasvathy & Dew, 2008). Again, we see an implicit reflection of effectuation in SE research when authors describe how a social entrepreneur must enact an opportunity through championing it (Thompson, 2002) and how SE opportunities are a function of the idiosyncrasies of the entrepreneur, especially his or her relationships (Robinson, 2006).

In yet another contrast with the rational/economic approach to entrepreneurship, effectuation envisions the entrepreneurial process as actor-dependent not outcome-dependent. In effectuation, outcomes do not hover independently from the entrepreneur out there in society waiting to be found or discovered. Instead, outcomes are shaped and enacted by entrepreneurs through imagination and aspiration (Sarasvathy, 2001). In the

case of SE, we see a number of researchers suggesting that outcomes such as social enterprises or philanthropic projects are shaped and enacted by effectuating entrepreneurs through their imagination and aspiration (Dees, 2007; Sfeir-Younis, 2002; Yunus, 2007).

The conflicting views of the rational/economic and effectuation approaches to entrepreneurial process and the lack of empirical research on SE opportunities led us to conduct a theory-building study using inductive methods. Specifically, our goal was to induce theory about how opportunities to create social value are identified and exploited. Our research conveys a story of actors, seeing a social need and prospecting ideas that could address the need. It is also a story of multiple, not individual, actors engaged in dynamic interactions that nudge an opportunity into manifestation. In particular, our data suggest complementarities to the effectuation and rational/economic approaches that are tensioned by how tangible a solution to a perceived social need is.

## Research Methods

As already stated, our purpose in this research is to build theory, and we did so inductively using multiple cases of a focal event, innovation episodes (Galunic & Eisenhardt, 2001). Multiple cases enabled a replication logic wherein each case was used to test emerging theoretical insights (Yin, 2003). Such a method allowed for a close correspondence between theory and data (Eisenhardt, 1989). Theoretical sampling was employed for case selection; cases were selected because they illuminated the concepts of opportunity identification and exploitation and facilitated the development of conceptual patterns pertinent to these stages of the entrepreneurial process (Eisenhardt & Graebner, 2007). Such sampling is appropriate for inductive theory building, while sampling for representativeness of a population is appropriate for theory-testing research, wherein results are generalized to hold true for that population (Eisenhardt & Graebner; Yin). The use of an inductive approach limits generalization; it would not be appropriate to generalize findings from the study to the broad population of social enterprises. However, such generalization was not the purpose of the research; our purpose was to induce theory from qualitative evidence.

The cases were from an exemplar social enterprise, a fair trade importing business founded in 1972 that still thrived while other well-known fair trade importing organizations have been forced out of the business by economic pressures (see Hockerts's 2006 comment about Oxfam). The enterprise founder, still employed by the organization, believed the enterprise prospered because it implemented business-oriented solutions to support its social mission in the early 1990s when the organization's survival was tenuous. This social enterprise, Trade Aid, thus offered a rare opportunity for rich insights into a unique phenomenon that facilitated solid theory building (Eisenhardt & Graebner, 2007; Siggelkow, 2007; Yin, 2003). For example, Galunic and Eisenhardt (1996, 2001) showed how an organization recombines and reconfigures organizational resources by collecting evidence from a single research setting that was the highest performing technology-based corporation in the world for several decades.

## Research Setting

Our research setting was Trade Aid Incorporated (TAI), a membership-based society that has charitable status and fully owns Trade Aid Importers (a limited liability company).



Trade Aid Importers works with nongovernment organizations (NGOs), family groups, and democratically run agricultural cooperatives to import handcrafted and more recently, agricultural products, from economically disadvantaged countries into the high-value New Zealand market. The enterprise's goal has always been to generate a living wage for these groups that Trade Aid called supplier groups. Trade Aid was founded in Christchurch, New Zealand by Vi and Richard Cottrell after returning from India where they worked for 2 years resettling Tibetan refugees. The Cottrells saw an opportunity to continue helping the Tibetans by importing their handcrafted goods into New Zealand after they had a successful one-off exhibition sale of Tibetan carpets in their hometown. TAI initially functioned as a wholesaler, importing handcrafted products from supplier groups and selling them on to a disparate collection of second-hand shops affiliated with the Catholic Church. However, in the early 1990s, TAI was reinvented along more commercial lines, and franchise-type contracts were put into place that made these shops official Trade Aid retailers. This commercial reinvention began with Richard Thompson, a board member who resigned that position to become interim general manager (GM). Reinvention continued with Geoff White, a more permanent GM, hired for his experience of setting up and running his own manufacturing firm. In 2007, TAI was importing multiple lines of handcrafts from 50 supplier groups. Some handcraft lines sold very well, but many did not and product development, implemented by White, was used to improve the marketability of these marginal products.

Trade Aid was headquartered in Christchurch, the biggest city in New Zealand's South Island. Headquarters included a warehouse that supplied a nationwide network of 32 retail shops. Trade Aid's retail shops ranged from their flagship stores in major centers such as Wellington and Auckland to smaller retail stores in rural, small towns such as Raglan and Timaru. Retail shops were owned by local community charitable trusts whose annually elected members were community people interested in fair trade. Shop managers often were also buyers for shops, deciding which Trade Aid products were likely to sell in their locale. Trade Aid was staffed by 79 full-time employees but was also supported by over 900 volunteers who donated their labor in the retail shops, the warehouse, the community trusts, and various committees and educational projects. An Ethical Investment Trust raised funds to support the activities of TAI, which included campaigning for trade justice around the globe and publishing material to educate New Zealanders on fair trade issues.

The unit of analysis was innovation episodes in Trade Aid's evolution as a social enterprise. Innovation is the act that endows resources with new capacity to create value (Drucker, 1993). Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity to reconfigure resources to create value in new ways (Drucker). Entrepreneurship and innovation are often considered synonyms in the commercial entrepreneurship literature (Covin & Slevin, 1986; Schumpeter, 1976) as well as in the SE literature (Dees, 2007; Dorado, 2006; Peredo & McLean, 2006; Weerawardena & Mort, 2006). Moreover, scholars have generated the constructs of opportunity identification and exploitation to operationalize this act of innovation or entrepreneurship. Innovation episodes at TAI include: Founding, the founding of TAI as an importer of fair trade goods into New Zealand; Shop, the start-up of a specific Trade Aid retail shop to sell imported goods; and Money, the reinvention of TAI in the early 1990s using commercial business solutions to generate income that could insure TAI's survival. Each of these episodes constituted a case within the research design of this study and provided rich detail on the opportunity identification and exploitation stages the literature says are inherent in any innovation. Table 1 provides expanded detail on the cases and shows data sources used to develop each case.

Table 1

Description of Cases

Innovation episode cases	Descriptive detail	Data
Founding (founding a society)	Trade Aid founded as member-based incorporated society <ul style="list-style-type: none"> <li>• founded in 1972</li> <li>• umbrella organization coordinating across disparate second hand and retail shops</li> </ul> Commercially functioned as wholesaler importing handcraft goods and distributing through network of shops.	Interviews <ul style="list-style-type: none"> <li>• TAI founder</li> <li>• current GM</li> </ul> Archival <ul style="list-style-type: none"> <li>• TAI history</li> <li>• website</li> <li>• educational brochures</li> </ul>
Shop (setting up shop)	Establishment of Trade Aid retail shop in the East Auckland area by local people through a trust <ul style="list-style-type: none"> <li>• set up in 1993</li> <li>• one of 32 Trade Aid shops, most set up through a grass roots movement to participate in fair trade</li> </ul> Commercially functioned as one of 32 retail shops that distributed handcrafted goods imported from economically disadvantaged areas.	Interviews <ul style="list-style-type: none"> <li>• cofounder/first buyer/current manager</li> <li>• original shop manager</li> </ul> Archival <ul style="list-style-type: none"> <li>• memos/emails</li> <li>• website</li> <li>• VITAL (in-house publication)</li> </ul>
Money (professionalization of Trade Aid in the 1990s)	Trade Aid reinvented using franchise business design and other business oriented solutions to avert the death of the organization. <ul style="list-style-type: none"> <li>• reinvention accomplished in two steps: implementing franchise agreements with retail shops and hiring business-savvy GM who implemented numerous business solutions</li> </ul> Commercially functioned as hybrid organization; intent on making income in order to pursue its social mission.	Interviews <ul style="list-style-type: none"> <li>• current GM (White)</li> <li>• education director</li> <li>• Former board member/Interim GM who implemented franchise agreements (Thompson)</li> </ul> Archival <ul style="list-style-type: none"> <li>• social accounts</li> <li>• annual reports</li> </ul>

Data Collection

Primary and secondary data were collected. Primary data were gathered through semi-structured interviews. The interviews were 60–90 minutes in length and captured data from key organizational informants. The informants were selected on the basis of their involvement with the innovation episodes in the present study. The informants included Vi Cottrell, Richard Thompson, Geoff White, Michaelia Ward, David Rose, and Christine Swales. Mrs. Cottrell founded Trade Aid in the early 1970s after returning from resettling Tibetan refugees in India. Richard Thompson resigned as a board member and stepped in as interim GM when Trade Aid was about to go out of business. He began the commercial reinvention of Trade Aid by implementing the franchise agreements with the shops. Geoff White was hired as GM following Thompson and implemented business solutions to insure Trade Aid’s survival. Michaelia Ward, hired by White as education director, developed innovative educational programs to ensure TAI continued their social mission even after it was reinvented as a more commercially oriented enterprise. Mr. Rose, the retail shop buyer, was involved in founding the original shop located in East Auckland and served as the manager of that shop at the time data were collected. Ms. Swales was manager of the original East Auckland shop included as the Shop case. Data from these informants enabled us to induce theory about innovation or entrepreneurial activity in

Trade Aid but also eliminated bias since we interviewed across levels of the organization (GM to retail shop manager) and across geographical areas (headquarters in Christchurch and shop manager in Auckland).

An interview guide with three sections was used (Galunic & Eisenhardt, 1996). First, questions were asked about the informant's history with the organization. These included questions about the informant's understanding of TAI's social mission. Second, the informants were asked to provide a detailed account of the innovation episode they had been intimately involved with. In the case of the cofounder of Trade Aid, she informed primarily on the Founding case but also informed on the Money case, wherein TAI was reinvented as a more commercial organization. The informants were encouraged to tell the story from their own point of view, although probing questions were asked to gain further insight into how and why the innovations unfolded as they did. The third section asked about specific constructs such as other people involved in the innovation episode, where the idea for the innovation had come from, relationships with supplier groups, and so forth. We saw these constructs as important for fleshing out a complete understanding of how such constructs had or had not changed across the innovation episodes examined. All interviews were digitally recorded and transcribed.

Interview data were supplemented with field notes that contained information from conversations with nonfocal actors such as employees and volunteers. Field notes also contained observations from a tour of Trade Aid's warehouse and participation in their "fair-trade fortnight."

Secondary data came from over 350 pages of archival documents including a company history, newspaper clippings, strategy documents, website materials, memos, emails, job descriptions, educational reports and brochures, company annual reports, and audited social accounts. These documents added rich detail to the episodes of innovation that created and recreated Trade Aid. Also, these documents were compared with evidence gained through interviews and observations. Whenever possible, archival data were digitized into text and added to the database.

## **Data Analysis**

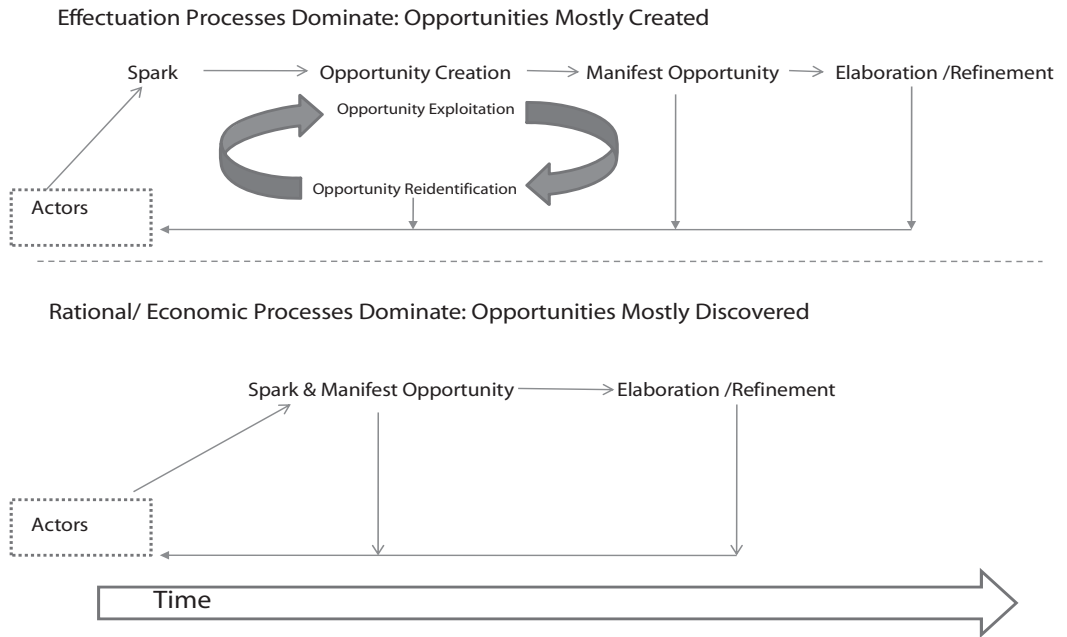
Data analysis was guided by the effectuation and rational/economic approaches to entrepreneurship reviewed in the background section of the article. This literature provided a useful starting point toward understanding innovation episodes in Trade Aid. Moreover, the inclusion of this background made explicit our conceptual perspective (Corbin & Strauss, 1990), thereby minimizing theoretical bias because interpretations from other theoretical perspectives were clearly delineated from the ones applied here (Eisenhardt & Graebner, 2007).

Data analysis used well-established approaches for inductive theory building (see Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2003). Analysis began with the construction of detailed accounts of each innovation episode. After the construction of the case histories, we conducted within-case analyses, which were the basis of developing initial constructs relevant to the innovation episode embodied in each case (Galunic & Eisenhardt, 2001). In particular, within-case analysis focused on how opportunities were identified and exploited in each episode of innovation. Cross-case analysis involved pattern matching focused on building explanations of how opportunities for innovation were identified and exploited (Yin). Explanatory patterns that might fit across all cases were sought because these can be generalized into propositions for testing in future, large-sample hypothesis-testing research (Yin). The cross-case analysis produced patterns from the innovation episodes at TAI, which we elaborate in the following section through



Figure 1

## Endpoints (Extremes) of the Opportunity Development Spectrum



text, two tables, and a figure. Data analysis was supported by Nvivo 7.0 software (QSR International Pty Ltd., Doncaster, VIC 3108, Australia). Nvivo is ideal for working with complex data, such as interview data, allowing a deeper level of analysis. It is designed to aid users in handling non-numerical and unstructured or semi-structured qualitative evidence by enabling systematic data coding and extraction of patterns from the data.

## Findings

How are opportunities to create social value identified and exploited? We found four patterns that address this question; one overarching pattern and three others that fit within the broader one. Figure 1 illustrates this overarching pattern, and Table 2 provides further support for it. In particular, the evidence column in Table 2 illustrates the connections between this broad pattern and the empirical data.

### Overarching Pattern: Opportunity Development

We found a pattern we called opportunity development across all three cases. Opportunity development involved growing and advancing an idea for social value creation that occurred to the entrepreneurs involved. The pattern reflected a rather organic process where ideas took shape over time. Within opportunity development, innovative ideas for value creation and notions of how to implement these ideas happened relatively simultaneously and in a recursive fashion. This pattern involved experimentation and refinement

Table 2

Cross-Case Patterns and Supporting Evidence

Case	Patterns	Evidence
Founding	<p>The entrepreneur(s)</p> <ul style="list-style-type: none"> <li>• A duo, married couple, saw an opportunity to import disadvantaged group’s product into high-value New Zealand market. A team supported them to cocreate a society.</li> </ul> <p>Prior experience</p> <ul style="list-style-type: none"> <li>• experience corridors: social/humanitarian</li> <li>• saw social need</li> <li>• ties relevant to social need at community and international level</li> </ul> <p>Method of opportunity identification</p> <ul style="list-style-type: none"> <li>• effectuation processes predominate</li> </ul> <p>Other actors</p> <ul style="list-style-type: none"> <li>• networked with religious-based charity organizations to establish society and fund first lots of handcrafted imports</li> </ul>	<p>The entrepreneur(s)</p> <p>“[. . .] when we came home from India we were interested in bringing carpets here and selling them, because we knew how important it was to provide a source of income for them.” (Vi Cottrell)</p> <p>Prior experience</p> <p>“We went to India and worked for two years with Tibetan refugees. That was 1969/1970. They were desperate for sources of income. And they make hand knotted carpets . . . in India one of my customers was Oxfam UK . . . and of course we visited them in England straight after we’d been in India.” (Vi Cottrell)</p> <p>Method of opportunity identification</p> <p>“So Richard (Mr. Cottrell, cofounder TAI) came up with the idea of starting a non profit organisation and applying for licenses in its name. He tried to interest Corso (Catholic charity organization) but they turned him down . . . Then we were going to interest other importers in these Oxfam samples. We hired a space and put samples on the wall and had a salesman who was a volunteer. But in fact that didn’t work/ . . . so the local Corso organiser talked groups in other towns into providing seed money to set up shops, and those women became the volunteers in the shops and they stocked Trade Aid product.” (Vi Cottrell)</p> <p>Other actors</p> <p>“Richard (Mr. Cottrell, TAI cofounder) started a society and that required 15 people, and it included people from the Catholic Commission and from Corso and from Christian World Service, a whole range of people. All of us guaranteed a \$1,000 loan at the bank and that was our set up capital.” (Vi Cottrell)</p>
Shop	<p>The entrepreneur(s)</p> <ul style="list-style-type: none"> <li>• group who admired Trade Aid’s mission and were motivated to help implement the mission</li> </ul> <p>Prior experience</p> <ul style="list-style-type: none"> <li>• experience corridors: commercial knowledge at functional level (i.e., marketing, advertising, merchandizing) and training</li> </ul> <p>Method of opportunity identification</p> <ul style="list-style-type: none"> <li>• rational/economic predominantly</li> </ul> <p>Other actors</p> <ul style="list-style-type: none"> <li>• networked with churches and other charitable organizations in their town and region</li> <li>• networked with other shops in the Auckland region to find/train volunteers, see which product lines sold in the city as opposed to small towns, what physical locations worked (malls? shopping centers? downtown areas?)</li> </ul>	<p>The entrepreneur(s)</p> <p>“We are a supportive and intelligent group and we work together, we were all volunteers originally . . . We haven’t landed someone with a strong point of view who is authoritarian.” (David Rose)</p> <p>Prior experience</p> <p>“I went to the first meeting to organize the trust because my wife was involved. The first trust meeting was at my house because we had a new baby and I got dragged out from reading our older son a story to help set up local ads in the paper because of my background in advertising. I was told I had to come to the next meeting because I understood advertising. Once the shop was up and running they said to me, you understand about craft and exhibitions, you be the buyer for the next few weeks . . . and 15 years later I’m still the buyer and also the manager.” (David Rose)</p> <p>Method of opportunity identification</p> <p>“I wasn’t sure what would sell here. I look at what Wellington sells and Ponsonby (another Auckland shop). I’ve experimented with toys, ornaments, and musical instruments like the drums and the rainstick.” (David Rose)</p> <p>Other actors</p> <p>“I found the volunteers to be a huge challenge, they tended to sit behind the counter and knit and eat muffins. These were middle aged women with good intentions but no business sense, I had to train them to greet customers.” (Christine Swales)</p>

Table 2

Continued

Case	Patterns	Evidence
Money	<p>The entrepreneur(s)</p> <ul style="list-style-type: none"> <li>A duo (Thompson and White) supported by a team that included the board and Vi and Richard Cottrell, founders</li> <li>Also supported by Thompson's business and life partner</li> </ul> <p>Prior experience</p> <ul style="list-style-type: none"> <li>Experience corridors: commercial knowledge, strategic level                             <ul style="list-style-type: none"> <li>chain of 10 gift shop stores, chairperson of an NGO (Thompson)</li> <li>manufacturing (White)</li> </ul> </li> <li>NGO experience                             <ul style="list-style-type: none"> <li>Thompson</li> <li>Ward</li> </ul> </li> </ul> <p>Method of opportunity identification</p> <ul style="list-style-type: none"> <li>a mix/balance of effectuation and rational/economic</li> </ul> <p>Other actors</p> <ul style="list-style-type: none"> <li>Thompson brought on independent board members and two key people from his retailing chain</li> <li>White brought on an education and communication manager and a product development manager</li> <li>Thompson includes his business and life partner as part of proposal to commercialize TAI</li> </ul>	<p>The entrepreneur(s)</p> <p>"So at the conference that year we constructed a prototype for the new Trade Aid shop layout, conference delegates had to walk through this to get to their seats. It was very persuasive and all the shops wanted it so I (Thompson) said, if you want this, you have to sign the franchise contract." (Richard Thompson)</p> <p>"They had a committee for each product line, and hundreds of product lines, it was a bit crazy. I (White) had to come and put the mechanics and the systems in place." (Geoff White)</p> <p>Prior experience</p> <p>"Perhaps it was my previous role as Chairman of an NGO and the fact that my partner (wife) was an activist trying to block the building of a smelter on the harbor in Dunedin that made me interested in Trade Aid." (Richard Thompson)</p> <p>Method of opportunity identification</p> <p>"The Board considered several proposals from outside consultants offering restructuring and change management processes. I (Thompson) was not impressed with any of these proposals, they had some reasonable ideas but didn't go far enough." (Richard Thompson)</p> <p>Other actors</p> <p>"The Board agreed to add independent directors including an accountant and a bank manager . . . In my restructuring proposal I included my business partner and another key person from our chain of gift stores because I knew they had the key skills needed to make the required changes." (Richard Thompson)</p>

of initial value, creating ideas even if the idea was quite tangible as in the Shop case. As such, opportunities for innovation evolved in ways that were more complex than has been reflected in the entrepreneurship literature to date. Perhaps, opportunity development was most notable for two things that it did not reflect. First, opportunities were not clearly delineated by an identification and exploitation phase as suggested in the entrepreneurship literature. Second, opportunities did not neatly fit into either the effectuation or economic view; opportunities were neither purely created nor purely discovered.

Within this overarching pattern, there was some variability in how the pattern unfolded as illustrated in Figure 1. One extreme was seen in the Founding case (see Table 2) where the idea for social value creation was the most intangible of three cases studied. The top half of Figure 1 depicts this extreme of opportunity development and shows how it was dominated by, but not exclusively a function of, effectuation processes. Effectuation holds that actors often begin with an interesting idea that seems worth pursuing, not necessarily anything more concrete than that (Sarasvathy, 2001). The figure depicts the interesting idea as the spark or that moment of insight when the interesting idea surfaces for the potential entrepreneurs. In the Founding case, the spark occurred when the founding duo, Vi and Richard Cottrell, returned home to New Zealand after spending 2

years in India helping Tibetan refugees turn their handcrafted products such as carpets into a much needed source of income. As Vi Cottrell said:

[. . .] and when we came home from India we were interested in bringing carpets and weavings here (New Zealand) and selling them, because we knew how important it was to support, to provide a source of income for them.

A process of experimentation to see how the idea might get implemented to create value in a meaningful way is the next phase. Figure 1 depicts this as the opportunity creation phase following the spark. Entrepreneurs might try one approach to implementing their idea as depicted by opportunity exploitation listed under “opportunity creation” in Figure 1. The entrepreneur then gets feedback from the environment relative to what has been implemented and may try something different if the initial action did not work. The figure depicts this experimentation process under the opportunity creation phase as the circular flow from opportunity exploitation, an attempt at implementing the idea, to “opportunity reidentification,” where the idea for value creation is revised based on feedback. The Founding case provided a vivid illustration of the experimenting the Cottrells did to create value for the Tibetan refugees within New Zealand. As Vi Cottrell indicated, multiple ideas for exploiting their idea were launched and a few of them did not work so they had to keep rethinking or reidentifying the opportunity.

[. . .] but we couldn’t get another license (to import Tibetan carpets) so Richard (Mr. Cottrell, cofounder TAI) came up with the idea of starting a non profit organisation and applying for licenses in its name, because that was a loophole. He tried to interest Corso (Catholic charity organization) in doing that but they turned him down . . . we were going to interest other importers in these Oxfam samples. We hired a space and put samples on the wall and had a salesman who was a volunteer. But in fact that didn’t work . . .

The quote also illustrates another key point about opportunity creation and that is how entrepreneurs draw on means at their disposal when experimenting with how opportunities may actually be effectuation (Sarasvathy, 2001). The Cottrells drew specifically on stakeholders who could help create the opportunity they envisioned for fair trade importing. Again, Founding provided a good illustration of the stakeholders the Cottrells worked with in trying to create their opportunity, the social value for Tibetans, and ultimately, other economically disadvantaged groups (see Table 2, Founding case row, heading “Other Actors”). Other actors included several charitable organizations that were very active in the Cottrells’ home town of Christchurch, New Zealand in the early 1970s. Other means that the Cottrells drew on in the Founding case were their own personal drive and skills and their knowledge of selling handcrafted products from their time in India.

Figure 1 then shows that following the opportunity creation phase, an opportunity ultimately manifests or becomes apparent through taking on form as depicted in the figure. The “manifest opportunity” phase reflects an actual operating enterprise or other tangible vehicle for innovative value creation such as a new enterprise, product, service, or process (Drucker, 1993). The Founding case illustrated this manifest opportunity phase with the establishment of the incorporated society and links with charity shops that sold their imported handcrafted goods as described by Vi Cottrell.

So Richard (TAI cofounder) started a society and that required 15 people, and it included people from the Catholic Commission and from Corso (a Catholic charity organization) and from Christian World Service, a whole range of people. All of us

guaranteed a \$1000 loan at the bank and that was our set up capital . . . local groups in other towns were talked into providing seed money to set up shops, and those women became the volunteers in the shops and they stocked Trade Aid product. They eventually became Trade Aid shops.

The final phase on the top half of Figure 1 is the elaboration and refinement of the opportunity that manifests from the creation process. The newly established enterprise is developed in greater detail, and improvements may be made to more effectively create value. Founding provided a good example of this elaboration/refinement phase in that the newly formed Trade Aid began importing handcrafted goods from groups in addition to the Tibetans. Also, the board advised the founders that they had to be discerning in selecting the groups they would work with when importing goods. Often, disadvantaged groups were represented by NGOs, and the Trade Aid board developed criteria for selecting the NGOs they would work with. In particular, NGOs had to meet strict criteria to insure the NGOs' policies and procedures were in line with the social justice values of Trade Aid as described by Vi Cottrell.

And our aim became to find the right groups because by now people on the Board were saying it's not enough just to trade in handcrafts, you've got to be discerning about who you're going to trade with. And so we were looking at what kind of criteria we would have for supplier groups.

The final construct to consider in the top half of Figure 1 is the actors. The actors were unequivocally instrumental in motivating the phases described so far. The actors, Vi and Richard Cottrell in the Founding case, provided the spark that kicked off the opportunity creation phase. Interestingly, other actors joined them in the opportunity creation phase as possible methods of exploiting the opportunity were considered and the opportunity was reidentified. These other actors included contacts from the Catholic charity organizations in Christchurch in the early 1970s. Some key actors joined them, while others left when the opportunity became manifest. These included the members of the board of the incorporated society and others who made links with the Catholic charity shops that initially sold the handcrafted products that Trade Aid imported. The feedback arrows in the top half of Figure 1 signify this dynamic process of actors joining into and dropping out of the opportunity development process. The actors were part of what Sarasvathy (2001) calls the primary means of the entrepreneurs—people the entrepreneurs knew in the city of Christchurch they thought could help them create a solution for the Tibetans. The actors' role in the process of opportunity development is further elaborated in a later section entitled "Collective Action."

Turning to the bottom half of Figure 1, the model here depicts opportunity development at the other extreme where the idea for social value creation was the most tangible of all the cases. At this extreme, opportunity development is dominated by, but not strictly limited to, rational/economic processes. The Shop case was a good example of how an opportunity development process unfolded in a predominantly rational way so it illustrated this part of Figure 1. Rational/economic processes of opportunity development begin with a spark, but in contrast to the effectuation process, this spark already encompasses a manifest opportunity. Stated differently, a manifest or tangible opportunity is already apparent perhaps in the form of a potential enterprise such as the opportunity to purchase a commercial franchise. In this situation, normative decision methods such as market research and profiling prospective customers may be useful (Sarasvathy, 2001). The Shop case offered a good illustration of spark, and manifest opportunity tied together in that Trade Aid shops were already established in other towns. The opportunity, thus,



was apparent in the example offered by other Trade Aid shops, and the spark was the idea to set up such a shop in the East Auckland area. Within the rational/economic model, the spark and manifest opportunity phase is followed by the elaboration/refinement stage as it was in the effectuation process. Again, elaboration/refinement involves developing the tangible opportunity in greater detail and with modifications that hopefully improve the extent to which value is created by the opportunity within its specific context. In the Shop case, this phase entailed finding an East Auckland location that provided good sales of Trade Aid products. This proved challenging, and the shop was first located in one suburb (Howick) but later moved to another (Botany) because of shifts in demographics. Moreover, the founding buyer experimented to see which of Trade Aid's product lines would sell in the East Auckland location as he described in the quote in the next section. Importantly, the experimenting performed in the Shop case was to refine the already manifest opportunity, not to create the manifest opportunity as in the Founding case.

I wasn't sure what would sell here. I look at what Wellington sells and Ponsonby (another Auckland shop). I've experimented with toys, ornaments, and musical instruments like the drums and the rainstick. The toys proved to be a good seller and I've sold everyone in East Auckland a wooden box.

As in the top half, the final construct to consider in the bottom half of Figure 1 is the actors, who again were clearly instrumental in motivating the phases described so far. The founding buyer of the East Auckland store described how he was "volunteered" into his role by the trust or group of people who set up this shop (see Table 2, Shop case row, "prior experience" heading). Moreover, the buyer's actions have refined the East Auckland shop because he decided which handcraft lines he carried in the shop. This shop thus had a character different from Trade Aid shops in other locations.

I'm the buyer, so I choose. And you'll see if you look at the shops across the country that we vary enormously in what's there. You can't walk into a shop and say oh well I'll go and buy one from Whangarei, because Whangarei may have decided that it doesn't sell there.

The feedback arrows in Figure 1 signify the actors joining in or leaving this more rational/economic version of opportunity development. The Shop case provided a particularly interesting version of the ebb and flow of actors in opportunity development in that the founding buyer, who is still the shop manager today, was only tangentially part of the original group of actors who planned to set up a Trade Aid shop in East Auckland. The manager was married to a group member and thus was known to the group. Through this connection, he was asked to do a number of important tasks along the way because he had the merchandizing and retailing skills that matched well with the model for a Trade Aid shop that emerged over time. This is an example of an actor being included in opportunity development based on resources needed to implement a manifest opportunity or what Sarasvathy calls a preselected effect—the existing model for a Trade Aid shop. Choosing actors based on resources needed for a preselected effect is consistent with the more rational/economic view of entrepreneurship (Sarasvathy, 2001). Over time, this man elaborated and refined the shop, became its manager and buyer, relocated it because of hard economic times, and still manages the shop today.

In summary, Figure 1 depicts the endpoints of a spectrum illustrating how opportunity development for a social enterprise can range from predominantly effectuation processes to primarily rational/economic processes. Each end of the spectrum reveals complexities

in the opportunity development process that go far beyond the classic stages of opportunity identification and exploitation most often discussed in the entrepreneurship literature (Shane, 2000; Shane & Venkataraman, 2000). Moreover, qualitative evidence suggested two additional sources of complexities in opportunity development. The first is that neither endpoint is a pure case of either effectuation or rational/economic processes. Our data showed the endpoints allowing for minor facets of the other approach to be reflected in opportunity development. As indicated, the Founding case reflected the predominantly effectuation approach, given the trial and error the Cottrells engaged in to ultimately manifest Trade Aid. However, the rational/economic approach had a minor role in that fair trade importing was an idea being implemented elsewhere in the early 1970s, most notably by Oxfam in the UK. Trade Aid's cofounders had worked with Oxfam in India so that the opportunity for starting up a fair trade importing enterprise was somewhat manifest for the Cottrells by this Oxfam example. The Shop case matched the rational/economic end of the spectrum in that a well-manifested opportunity, a trade aid shop, was implemented. However, the Shop case did evidence modest elements of effectuation because the actors had to enact the shop in a viable East Auckland location and generate a mix of products that would appeal to the local population. In fact, the original shop location (Howick) proved to be marginal so the shop was moved to its present day Botany location. Also, the long-term buyer has experimented a great deal with product mix over the years.

The second source of complexities is suggested by considering the mix/balance segment of the opportunity development spectrum illustrated in Table 3 and described in

Table 3

### Elaborating the Opportunity Development Spectrum

Elements of opportunity development (from Figure 1)	Spectrum		
	Effectuation	← (Mix/balance) →	Rational/economic
Actors	Actors are the means of the entrepreneur; they are people the entrepreneur knows and can call on at the time of the spark. Actors get included in the entrepreneurial development process serendipitously because they are known to the entrepreneur.	Actors included in two ways: through preexisting ties with entrepreneurs and through a rational process wherein actors' skills are identified as matching those needed for the manifest opportunity.	Actors not always known to entrepreneurs at the time of the spark; they get included in entrepreneurial development process because they provide the resources necessary for implementing a manifest opportunity (i.e., Trade Aid shop).
Opportunity creation	Very pronounced opportunity creation phase including many cycles of opportunity creation (see top half of Figure 1).	A few cycles of opportunity creation.	Little or no opportunity creation phase.
Spark	Spark surfaces as broad, relatively intangible, and unformed idea such as the Cottrells wanting to continue helping the Tibetans when they returned to New Zealand.	Spark is more narrow in scope and more tangible than at the effectuation end but not as narrow or prepackaged as at the rational/economic end of the spectrum.	Spark surfaces as narrow, tangible, fleshed out idea such as setting up a Trade Aid shop.

the following paragraphs. The top row of the table shows the spectrum ranging from effectuation at one end to rational/economic at the other end with a mix or balance of both kinds of approaches being reflected in the middle (see the column labeled “Mix/Balance”). The Money case informs this mix or balance of effectuation and rational/economic approaches. The rows of the table summarize the actor, opportunity creation, and spark elements of opportunity development at the ends and in the middle of the spectrum, according to evidence.

We start with the actors and have already discussed how people were included at the extremes of the spectrum. However, the Money case indicated that a mix or balance of effectuation and rational/economic processes would be at work in the middle of the spectrum. For example, the inclusion of the two focal actors in the money case, Richard Thompson and Geoff White, illustrated the mix. Mr. Thompson was included through an effectuation process. He had sold Trade Aid products in his Dunedin gift shop prior to Trade Aid’s professionalization and was known to the founders for that reason. Richard Cottrell contacted Mr. Thompson to discuss his very serious concerns for the survival of Trade Aid, and this conversation led to Mr. Thompson joining the board of Trade Aid. Thompson ultimately resigned that position to become Trade Aid’s GM and implement the first stage of professionalization for Trade Aid, which included major restructuring of the organization. Mr. Thompson left the GM position once restructuring was complete, and a rational/economic process was initiated to secure a new business-oriented GM for the company. This rational process involved the Board, now convinced that a GM with business acumen was needed, compiling a job description for this key resource. Trade Aid then advertised for a GM consistent with this job description. Geoff White answered the advertisement, matched the skills in the job description, was hired as the new GM, and furthered transformed Trade Aid consistent with commercial business principles.

Regarding the opportunity creation element (see Table 3, second row), the mix/balance part of the spectrum falls in between a very pronounced opportunity creation phase on the effectuation end (depicted in Figure 1) and little or no opportunity creation on the rational/economic end. The Money case again illustrated the mix/balance part of the spectrum. Recall that the innovation in the Money case was about professionalizing or recreating Trade Aid in the image of a for-profit business while retaining its social mission. This innovation opportunity was part effectuation in that Thompson joined the board and convinced its members that a restructuring and change management process needed to be implemented, but the exact form this process should take was initially unclear. The board asked for, received, and considered proposals and tenders from professional consultants that specialized in restructuring and change processes over a period of 4 months. In considering these proposals, the Board felt that they were all incomplete because they did not include all aspects of what needed changing or reorganizing nor did they include the key personnel that would be required to make the changes. These proposals for change each reflected a possible opportunity the board could have implemented so that the board’s consideration of them over time constituted an opportunity creation phase with a few cycles at work trying to manifest an opportunity. What was needed in terms of restructuring and change for Trade Aid became clearer and clearer as the board considered these proposals. Ultimately, a rational aspect surfaced in the board’s attempt to restructure Trade Aid in that Thompson made a proposal to the board for a change process. Thompson’s proposal was to be implemented by a team; himself, and two key people from his ongoing gift shop business and was comprehensive, including many key elements recommended for success in commercial retailing such as merchandizing, cash flow planning, increased pay levels for critical human resources, streamlined

organizational structure, and franchise agreements with the retail shops. The board accepted Thompson's proposal, and he resigned from the board to take up the position of GM of Trade Aide to implement it. So again, we see the mix of effectuation and rational/economic processes at work in the Money case.

Finally, we consider the "spark" element in the last row of Table 3. The mix/balance part of the spectrum represents sparks or ideas that are narrower and more focused than the open-ended, relatively unformed ideas that are seen at the effectuation end but not as narrow and tangible as ideas that present on the rational/economic end of the spectrum. Returning to the Money case, the spark was the idea of a change process to reinvent Trade Aid as a more business-oriented organization that could earn money while also addressing its social mission. This spark was ignited by Richard Thompson but the exact form of the innovation was not clear in that initial spark. The form of the innovation became clear after Thompson, in his role as board member, considered the proposals for reorganization from consultants. The spark in this Money case thus was more focused and tangible than Richard Cottrell's idea that "something" needed to be accomplished to rescue Trade Aid, but it was not the prepackaged or preselected idea that constitutes the spark in rational/economic versions of opportunity identification (Sarasvathy, 2001).

### **Collective Action**

We found a second pattern, collective action, encompassed within the broader opportunity development pattern. Collective action was already alluded to in the previous section and is reflected in the "actors" box in Figure 1. Collective action was evidenced in all three cases in that multiple actors were involved in each innovation episode. In particular, the evidence shows more than one principal actor for each episode (see Table 2), and the involvement of board members and other organizations within the community. At first glance, it may appear that such collective action has been noted in the SE literature in that empirical evidence shows social entrepreneurs acknowledging the participation of other individuals, other organizations and committees, and volunteers in entrepreneurial ventures (Shaw & Carter, 2007). However, a deeper consideration of the collective action patterns in all three cases suggest why actors coalesce into collectives to create social value. Actors coalesced because the knowledge needed in each innovation episode was not possessed by a single person but was dispersed across multiple actors. In the Founding case, Vi Cottrell had knowledge of the social issue, Richard Cottrell had knowledge of legal avenues for organizing, and the Catholic charity organizations had knowledge of how and where to appeal to people willing to help the economically disadvantaged. In the Money case, Richard Thompson had knowledge of franchise agreements and merchandizing and Geoff White had knowledge of branding, business control systems, and product development. Michaelia Ward, education director, was hired to further bolster TAI's social mission. In the Shop case, David Rose had merchandising and advertising expertise, and Christine Swales had knowledge of training employees to complement the knowledge of the fair trade issue that the local shop trust board was trying to address. In each case, the innovation episode would likely not have been implemented without this coalescing of complementary knowledge. As such, current evidence aligns with Sautet's theory of entrepreneurship, which holds that the real challenge in entrepreneurship is aggregating knowledge that is dispersed across many individuals in order to exploit the potential for value creation (Sautet, 2002). Interestingly, Dees (2007) has also commented on the fact that the knowledge necessary for addressing a particular social problem may well be dispersed among the population.

We were somewhat surprised by this collective action pattern because of the prevailing focus on the individual entrepreneur in both the social (Goldstein et al., 2008; Peredo & McLean, 2006; Robinson, 2006) and commercial entrepreneurship literature (Davidson & Wicklund, 2001; Shane, 2003; Shane & Venkataraman, 2000). Even though some scholars call for more of a focus on collective action when studying SE (Peredo & McLean; Shaw & Carter, 2007), the SE literature still reflects the assumption of the “heroic (individual) entrepreneur” (Goldstein et al.), the “exceptional” individual (Robinson) whose charisma and drive create innovative solutions to social problems (Goldstein et al.). The collective action pattern whereby dispersed knowledge had to coalesce in order for a viable innovation to manifest suggests that this treasured notion of the individual entrepreneur as sole developer of opportunities needs to be questioned seriously in future entrepreneurship research.

## Experience Corridors

We label a third pattern that surfaced across all three cases “experience corridors” meaning that entrepreneurs’ past life experiences created awareness of and information about particular areas that shaped opportunity development. The Founding case offers an example of an experience corridor for the Cottrells created by their time in India helping to resettle Tibetan refugees. This episode made them acutely aware of the issue of fair trade and gave them ideas that could potentially address those needs. The experience corridor in the Money case was, in part, Richard Thompson’s business and life partner, who had been an activist trying to prevent the building of a smelter on Otago harbor. She brought Trade Aid products initially into their chain of gift shops and exposed Thompson to different kinds of value creation other than just economic value. Thompson’s experience as chairman of an NGO reinforced this experience with social and environmental value creation. Michaelia Ward, Trade Aid’s education director, offers another excellent example of an experience corridor effect. She spent 2 years in Cameroon in a coffee growing region working for a rural NGO called Veriget trying to teach the local people how to increase their incomes through sustainable small business ideas such as bee keeping. Through contact with the coffee growers, she learned of the importance of fair trade and that led her to Trade Aid as described in the following quote.

. . . I vowed to myself that I would only drink fair trade coffee when I came back to New Zealand. And back in Christchurch, it seemed like no one knew what fair trade was, I was thinking I may have to start my own fair trade importing company or something. I rang Oxfam and they said that Trade Aid was about to start a coffee campaign. So I got hold of Trade Aid and started working as a volunteer, did a few things for Trade Aid, handed my CV to Geoff White and got this job 3 months after I returned to New Zealand.

Geoff White’s experience corridor was shaped by commercial knowledge gained through starting up and running his own manufacturing firm for a number of years. From this experience corridor, White introduced business practices such as branding, product development, customer profiling, cash flow management, and others in order to generate income to ensure Trade Aid’s survival. The Shop case also shows the local trust board had knowledge of the social issue being addressed, while the original buyer had knowledge of advertising and merchandising in his local area. The original manager in the Shop case, a



woman, had experience in training, which proved to be very important in dealing with the shop volunteers.

The pattern of experience corridors is an extension of the knowledge corridors concept seen in the commercial entrepreneurship literature. Knowledge corridors are the information and know-how that entrepreneurs have gained from past work experience and education (Shane, 2000). The notion of knowledge corridors remains somewhat narrowly focused on commercial work experience so that corridors arise from experience in particular industries or with given technologies or even within specific functional areas of management such as marketing or accounting (Shane). The SE literature acknowledges there is a link between experience and SE opportunities but has not clarified this link nor systematically examined it (Dorado, 2006). The theme of experience corridors surfaced here provided documentation for this link and encouraged future research to examine the life experiences of actors participating in SE opportunity development, such as the social sphere of the Cottrells and the NGO experiences of Richard Thompson and Michaelia Ward. Experience corridors resonated with Robinson's (2006) idea that there may be two dimensions to experience in the domain of SE: business and social experience where social experience is derived through family and other social groups. Also, this theme resonates with Shaw and Carter's (2007) finding that social entrepreneurs said that life skills were most relevant to their SE activities. We suggest that the idea of experience corridors further illustrates the dispersed knowledge issue discussed by Sautet (2002) in that knowledge is not only dispersed across people but dispersed across information domains such as the fair trade (social issue domain) and the commercial business domain. We advocate future research to further explore how experience corridors of principal actors in SE processes shape social value creation, agreeing wholeheartedly with Austin et al. (2006) that it is important to remember that SE brings the whole person into any venture.

## Spark Notion

We found a fourth pattern across the cases, and that was the spark, the moment of insight when the idea surfaced for a possible new way to create value. This notion of a spark that sets off opportunity development is depicted in Figure 1 and further illustrated in Table 3. The pattern that emerged was a spark as insight, a moment of realization that social value could be created such as the Cottrells had about continuing to help the Tibetans when they returned to New Zealand as described by Vi Cottrell.

[. . .] when we came home we were interested in bringing carpets and weavings here and selling them, because we knew how important it was to support, to provide a source of income for them. Richard and I in our innocence thought that we should be promoting trade between countries like India and New Zealand because we thought that this would benefit people in India like the Tibetans and we very quickly began to understand that it had to be much more selective than that.

Similarly, the spark in the Money case was the idea that Trade Aid could be reorganized on a more commercial footing as indicated by Richard Thompson in this quote.

Cottrell was concerned when he rang me. He felt perhaps somebody else should be on the Board who had a reasonably strong business background. At the time there was only one person on the Board with such a background, a gentleman who had been the CEO of Foodstuffs and really did know his apples. He was also the former Chairman of the Rugby Union but he was on his own trying to press for a more business like

approach. When I came along I was able with him to start to put pressure on the GM around not just a need for results, but a structure through which results might be achievable.

From this spark came a series of board actions as well as the actions of an interim GM (Thompson) and a more permanent GM (White) before the reinvented Trade Aid emerged as a hybrid organization using business-led solutions to pursue its social mission. The spark in the Shop case occurred when one of the original board members who started up the East Auckland shop moved to that area from elsewhere in New Zealand and was surprised that East Auckland did not have a shop. She placed a notice in the local paper inviting any interested parties to an organizational meeting, and the opportunity developed further from there. We specifically extracted the notion of spark from the overarching pattern of opportunity development because present evidence suggested it is different from the classic ideas of opportunity identification or recognition so widely accepted in the entrepreneurship literature. The classic idea is that opportunities are fully formed and waiting to be discovered by an entrepreneur. As presented in the discussion of the opportunity development spectrum earlier, the spark can reflect quite an unformed idea at the effectuation extreme of the opportunity development spectrum and only a partially formed idea at the mix/balance part of the spectrum (see Table 3). As such, the spark appears to be a construct worthy of research in its own right in the realm of SE.

## Discussion

The purpose of this article was to explore how SE opportunities are recognized and exploited. In doing so, we examined what scholars have said is the central phenomenon of entrepreneurship (Austin et al., 2006; Mair & Marti, 2006). We used a qualitative research design to induce theory given the lack of empirical research studying SE opportunity recognition to date (Mair & Marti; Mair & Noboa, 2006; Shaw & Carter, 2007). Our findings highlighted four patterns that emerged across the innovation episodes that provided data.

The first pattern was the overarching pattern of opportunity development. Evidence showed that opportunities were an organic phenomenon that grew and were nurtured over time by actors aware of a particular social issue. The phases through which opportunities developed were not simply the opportunity identification and exploitation phases that are classically modeled in the commercial entrepreneurship literature. Figure 1 reflected the pattern of opportunity development as substantively more complex and recursive than the traditional opportunity identification and exploitation framework. The complexity of the opportunity development pattern was further illustrated in that it occurred along a spectrum where effectuation processes dominated at one end and rational/economic processes prevailed at the other. The middle of the spectrum reflected a mix or balance of effectuation and economic/rational approaches to opportunity development in SE as shown in Table 3.

A second pattern, collective action, was revealed within the broad pattern of opportunity development. Our data showed opportunities being developed by multiple actors working together to create social value. The extent to which the multiple actors were involved was notable and corroborates Sautet's (2002) conjecture that the knowledge needed to develop entrepreneurial opportunities is not possessed by a single person but is dispersed across many individuals. This induced pattern becomes more remarkable when

contrasted with the largely unquestioned assumption of the sole entrepreneur as value creator that pervades the SE literature (Goldstein et al., 2008; Peredo & McLean, 2006; Robinson, 2006) and has major implications for entrepreneurship research that will be discussed shortly.

A third pattern, experience corridors, was linked to collective action in that it was about the awareness and information that the multiple actors bring to opportunity development based on their prior experience. Our findings encourage researchers to broaden their thinking about prior experience beyond the domain of commercial experience to include domains such as the charitable or humanitarian experience of Trade Aid's founders, the activist links of Robert Thompson, who implemented the franchise agreements, and the NGO experience of the TAI's director of education. Although such noncommercial experience is discussed in the SE literature, it has not been fully integrated into the construct of entrepreneurial background or experience.

Finally, the fourth pattern of spark emerged from the data indicating that there is an insight or moment of inspiration that engendered opportunity development. Our data showed this spark as being at least several steps removed from the opportunity that is ultimately developed. We suggested that the spark construct was worthy of research in its own right given the complexity of opportunity development revealed in the present data. This teasing out of the spark as somewhat separate from opportunity recognition can be an important extension to current SE research because it reminds researchers not to conflate the moment of entrepreneurial inspiration with opportunity identification. The spark could be an important initial condition that strongly influences the evolution of opportunities for value creation and the ultimate form they take, if a complexity science perspective is applied to entrepreneurship research as advocated in the social (Goldstein et al., 2008) and commercial (McKelvey, 2004) entrepreneurship literature.

The patterns that emerged from the data have clear implications for SE theory. As already stated, the SE literature has focused on the individual entrepreneur, explaining innovative behavior as a function of this person's relentless drive (Dees, 2001) and altruistic motivation (Mair & Noboa, 2006). Current findings corroborated the importance of entrepreneurial traits given that Vi and Richard Cottrell embodied these important and valuable characteristics of the social entrepreneur. However, the collective action pattern that surfaced in our data suggested that SE research might be missing much of the action unless this focus is broadened. The present data revealed key contributions made by actors beyond those we might classically think of as "the entrepreneurs." All three cases revealed important contributions toward the innovation episodes from multiple actors. Their contributions went beyond mere social support (Mair & Noboa); they were instrumental in determining how and when an opportunity was manifest. Also, our data showed an ebb and flow of actors in the entrepreneurial process. Actors were at center stage for a while, actively developing an opportunity, and then moved backstage, sometimes to surface at center stage again. The implication of this collective action pattern is that studies that examine the collective or group level may more accurately reflect the empirical reality of entrepreneurship. Another implication is that much SE research is missing the bigger picture and the richer more complete theory development possible given a focus beyond the individual entrepreneur (Goldstein et al., 2008; Robinson, 2006). Future SE research could embrace this idea of a "collective entrepreneur" when building theory as well as the complex unfolding of opportunities suggested herein. Methods and techniques for studying this level of analysis are available as well as theory describing different ways in which this collective level can emerge from the individuals involved (Koslowski & Klein, 2000). Additionally, complexity science and its modeling techniques seem well worth considering as

tools to extend SE theory in a way that corresponds more closely to empirical reality than many functionalist techniques do (Goldstein et al.; McKelvey, 2004).

Current findings also have implications for the nature of entrepreneurial opportunities and following on from that, the methods used to study opportunities. The opportunity development pattern reflected in the qualitative evidence showed opportunities as complex, somewhat organic and fluid, and clearly actor-dependent. Specifically, opportunity development encompassed more phases than those traditionally assumed in entrepreneurship research. The implication of these additional phases is that perhaps, research to date revealed only a portion of the opportunity development process since researchers often operationalized and measured only the manifest opportunity. Such an approach may well represent a somewhat narrow slice of what is a much broader, more complex phenomenon. Our data suggested additional constructs for measurement in future entrepreneurship research and again, point to complexity theory and its tools as potentially useful in future exploration of SE.

Similarly, the current findings have implications for what may be emerging as the two theoretical approaches in entrepreneurship research: effectuation and rational/economic. The broad pattern of opportunity development indicated that these theoretical approaches may represent two ends of a spectrum along which opportunity development can vary. The findings further implied a mix of effectuation and rational/economic elements, particularly in the middle of the spectrum. This mix of effectuation and rational/economic elements was in contrast to most existing entrepreneurship research that has assumed either one or the other approach when researching opportunities (Saravathy et al., 2003). Our findings encourage researchers to consider both approaches when investigating opportunity development in the future. Perhaps it is useful to consider teasing out the tensions between these two theoretical approaches when examining SE opportunity recognition and exploitation.

In conclusion, we hope this study takes a modest but substantive step toward theory development in the area of SE that scholars say is urgently needed (Austin et al., 2006; Hockerts, 2006; Mair & Marti, 2006). The patterns in opportunity development derived from the data appeared consistent with descriptions of SE as a messy, complex, emergent process to implement social value (Dees, 2007) and thus seem to usefully inform future research despite the limitations of an inductive study with a limited number of cases. We further hope it helps untether SE from the rational/economic assumptions that have historically underpinned entrepreneurship research more generally. It may well be that such untethering will help SE research, in time, to challenge the central concepts in commercial entrepreneurship research.

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