Entrepreneurial Learning, Heuristics and Venture Creation

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Abstract
Introduction After rigorous criticism on trait approach and with the emergence of behavioral approach in entrepreneurship during 1980s, the researchers started to introduce learning and cognitive theories in entrepreneurship to describe and explain the dynamic nature of entrepreneurship. Many researchers have described venture creation as a core and the single most important element of entrepreneurship. This thesis will discuss and present the role of entrepreneurial learning and heuristics in venture creation.

Purpose The purpose of this research thesis is to study and analyze the role of entrepreneurial learning and heuristics in venture creation.

Method To fulfill the purpose of this thesis, we followed qualitative research and conducted semi structured interviews with open ended questionnaires to collect empirical data. For this study, we have included only four interviews which were conducted on four different businesses based in Jönköping, Sweden, following convenience sampling. In the analysis, we used data analysis model of Walker, Cooke and McAllister (2008) and inductively generated three propositions, depicting the role and importance of entrepreneurial learning and heuristics in venture creation.

Conclusion Individuals adopt entrepreneurship in their careers with necessary skills, abilities, and knowledge, which are learned or gained through experiential learning and/or vicarious learning (i.e., learning by observing or modeling the actions of others). Learning by doing is considered the most important factor by entrepreneurs which helped them to overcome different business start up hurdles, to make various entrepre-
neurial decisions and to perform many entrepreneurial activities during venture creation. Similarly, individuals within their own situation use, learning by observing or modeling other people’s behaviour, actions and consequences of the actions. Entrepreneurs use learning by modeling the behaviour and actions of others as benchmarking strategy during venture creation. Entrepreneurs believe that without any learning they will not be able to start their own businesses. Heuristics as decisions making mechanism, particularly during venture creation, is used by entrepreneurs as simplifying strategy when sufficient information related to a specific market, certain industry and products are scarce. Additionally, entrepreneurs are passionate to grab profitable business opportunity, and due to time pressure and brief window of opportunity, they can’t go for gathering each and every information of the potential business or product. Hence, heuristics as decisions making mechanism is considered the best suitable approach to make many entrepreneurial decisions during venture creation.
Table of Contents

1 Introduction ........................................................................................................ 1
  1.1 Background .................................................................................................. 1
  1.2 Problem Statement .................................................................................... 2
  1.3 Purpose ....................................................................................................... 3
  1.4 Delimitation ................................................................................................. 3
  1.5 Definitions .................................................................................................. 3
  1.6 Disposition ................................................................................................. 4

2 Frame of Reference ............................................................................................. 5
  2.1 Entrepreneurial Learning and Venture Creation .......................................... 5
  2.2 Heuristics and Venture Creation .................................................................. 8
  2.3 Summary ..................................................................................................... 12

3 Methodology ....................................................................................................... 13
  3.1 The Choice of Research Method .................................................................. 13
  3.1.1 The Qualitative investigation .................................................................. 14
  3.1.2 Interviews: Our research instrument ...................................................... 14
  3.2 The Empirical Data .................................................................................... 16
  3.2.1 Sampling ................................................................................................. 16
  3.2.2 Data collection ....................................................................................... 17
  3.3 Convincing the readers .............................................................................. 18
  3.3.1 Reliability ............................................................................................... 18
  3.3.2 Credibility .............................................................................................. 19
  3.4 Analyzing Qualitative Data ........................................................................ 20

4 Empirical Study and Analysis .......................................................................... 23
  4.1 The Interviewees ......................................................................................... 23
  4.1.1 Qaiser Garments .................................................................................. 23
  4.1.2 Jönköping Afroshop ............................................................................. 23
  4.1.3 “X” Human resources company ............................................................. 23
  4.1.4 ECKS Long Boards Jönköping .............................................................. 24
  4.2 Entrepreneurial Learning and Venture Creation .......................................... 24
  4.2.1 Experiential learning ............................................................................ 24
  4.2.2 Vicarious Learning ............................................................................... 28
  4.3 Heuristics and Venture Creation .................................................................. 30

5 Conclusion and Discussion .............................................................................. 33
  5.1 Conclusion ................................................................................................. 33
  5.2 Discussion ................................................................................................... 34
  5.3 Limitations .................................................................................................. 36
  5.4 Further Studies ......................................................................................... 36
References .............................................................................................................37

Appendix 1 .............................................................................................................45
Interview Questions ...............................................................................................45
Entrepreneurial Learning .......................................................................................45
Experiential Learning .............................................................................................45
Vicarious Learning .................................................................................................45
Heuristics ................................................................................................................46

Table of Figures

Figure 1: Double-Loop Learning; Deakins & Freel, 2006 ........................................7
Figure 2: Model of the decision to start a new venture; Simon et al., 1999 ...........9
Figure 3: Architecture of Entrepreneurial Learning; Holcomb et al., 2009 ..........11
Figure 4: Model of Threshold Knowledge to create a venture ..............................35
1 Introduction

In this thesis we will investigate, analyze and argue the role of entrepreneurial learning and heuristics in venture creation. In this section we will briefly discuss about the thesis’ topic, and at the end, the problem statement and purpose of the study will be presented.

1.1 Background

It was until the middle of 1980s, that the research of entrepreneurship was in its infancy (Rauch & Frese, 2000). Then in the last quarter of 1980s and during 1990s, the researchers started to consider entrepreneurship as a process which included all the activities, actions and functions associated with the discovery of opportunities and creation of venture (Bygrave & Hofer, 1991) and generated considerable academic interest (Ucbasaran, Westhead and Wright, 2001). Therefore in the start of 1990s an increased interest for entrepreneurship research developed (Brandstätter, 1991) because a key focus of research was to view entrepreneurship as a process of actions and activities that were taken by entrepreneurs to create venture. In the era preceded, entrepreneurship was a scattered area of study among researchers who gave little importance to each others’ work (Ucbasaran et al., 2001). Such fragmentation obstructed the development of knowledge or any research discipline (Ucbasaran et al., 2001). In that paradigm a range of approaches were presented by researchers for entrepreneurship research (Low & MacMillan, 1988) and there were quite a good number of authors who wrote about them (Cunningham & Lischeron, 1991). However, three approaches were mainly described by researchers for entrepreneurship research.

Firstly, economic approach of entrepreneurship was primarily proposed by Schumpeter in 1934. This theory suggested that entrepreneurship can be defined as creation of new enterprise, and proposed that entrepreneurship research is concerned with explaining the role of new venture in economic progress (Low & MacMillan, 1988, p.141). So, in this approach, the economic streams continued to be in the need of effective operationalization (Mitchell, Busenitz, Lant, McDougall, Morse and Smith, 2002).

Secondly, trait-based approach that revolved around the personality or characteristics of entrepreneurs and it gave substantial consideration to the contribution of people by themselves towards the process of entrepreneurship or new venture formation (Mitchell et al., 2002). This trait approach was widely criticized in the last quarter of 1980s by many researchers (e.g., Gartner, 1988; and Low & MacMillan, 1988). Therefore it was suggested to discontinue trait approach in favor of behavioral approach for further entrepreneurship research (Gartner, 1988).

In the third place, behavioral approach emerged as a new promising approach for advancing entrepreneurship research, during the last quarter of 1980s. This approach studies individuals in terms of activities undertaken to enable them venture creation, meanwhile venture creation is viewed as a contextual event (Gartner, 1988). Since 1990s, behavioral approach got more focus in entrepreneurship (Gartner, Bird and Starr, 1992), which still continues, even in the first decade of 21th century.
In 1990s, as a consequence of unsatisfactory results of trait approach and with the emergence of behavioral approach, researchers started to develop learning and cognitive theories (heuristics based theories) to illustrate venture creation in the field of entrepreneurship. In our thesis, learning being an element of learning theories, and heuristics as part of cognitive theories, are chosen to study the role of learning and heuristics in venture creation. Venture creation or creation of new enterprise is considered the single most vital aspect of entrepreneurship (Low & MacMillan, 1988). As Gustafsson (2004) asserted that venture creation is a very attractive concept in entrepreneurship research. Hence, the study of venture creation is imperative to maintain the dynamics of the research of entrepreneurship. Likewise, study of the role of learning or entrepreneurial learning and heuristics in venture creation is very crucial for our understanding of the dynamic nature of entrepreneurship.

Moreover, researchers are very keen to consider entrepreneurship (e.g., creation of new enterprise) as a set of activities that can be learned (Fiet, 2001). As Mitchell, Smith, Gustafsson, Davidsson and Mitchell (2005, p.4) asserted that even suitable and expert behavior in entrepreneurial settings, can be learned. Similarly, heuristics based decision-making or cognitive processes play a critical role in venture creation (Forbes, 1999). Evidently, every year thousands of individuals decide to create their own businesses, even in the presence of high risk (Simon, Houghton, and Aquino, 1999). Simon et al. (1999) asserted that cognitive biases (or heuristics) lead entrepreneurs to perceive less risk associated with new venture creation, which in turn help entrepreneurs to make various entrepreneurial decisions to create a venture. Gustafsson (2004) asserted that the cognitive approach (i.e., heuristics based approach) is very useful in understanding the link between the entrepreneurs and the venture creation, as this approach focuses on an individual’s cognitive behaviour (i.e., how entrepreneurs think and behave to make different entrepreneurial decisions).

Two types of learning i.e., learning by observing the behaviors, actions and consequences of actions of others and learning by direct experience (Holcomb, Ireland, Michael, and Hitt, 2009) have purposely been chosen for this study. Therefore it is fascinating to study the role of these two types of modes of learning along with heuristics, in venture creation. Hence, in the thesis, we will examine and analyze the role of entrepreneurial learning (i.e., experiential & vicarious learning) and heuristics (i.e., cognitive based decisions making mechanism) in venture creation.

1.2 Problem Statement

How do entrepreneurs make a decision to create their ventures by utilizing three Ts of entrepreneurship i.e., time, talent and treasure on the bases of their business ideas (Amit, Glosten and Muller, 1993) is still a critical and unrelenting research question in entrepreneurship. Additionally with the emergence of behavioral approach, some other important research questions, especially related to entrepreneurial learning and thinking or cognition are prevailing in the dynamic research of entrepreneurship, such as; how individuals get benefit from their experiential and vicarious learning, and how do entrepreneurs think (Mitchell et al., 2002) and make different entrepreneurial decisions during venture creation. These notions settled as our research questions in this thesis. Hence, we have explicitly formulated our research problem in the following questions:

- What is the role of experiential and vicarious learning in venture creation?
- What is the role of heuristics in venture creation?
1.3 **Purpose**

The purpose of this research thesis is to study and analyze the role of entrepreneurial learning and heuristics in venture creation.

1.4 **Delimitation**

We have decided to conduct our research for studying and analyzing the role of learning (i.e., experiential & vicarious learning) and heuristics in venture creation. The study is concerned only with two aspects of learning i.e., learning by direct experience and learning by observation, so throughout this study the role of other forms of learning e.g., learning through professional training, learning at educational institutions and learning through books, articles etc. for venture creation aren’t to be investigated. So far as, “heuristics” as in the second research question is concerned, will be discussed as “decision making mechanisms” or “decisions making rules” and will not be treated in terms of its different types individually. Further, this research has been conducted on local businesses, so analysis and conclusions will be limited to local businesses.

1.5 **Definitions**

Some definitions will be presented here for better understandings, and to avoid misinterpretations of some key concepts which are depicted in this study.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Heuristics</td>
<td>Entrepreneurial heuristics are the thumb-rules guiding the management decisions involved in the start-up and management of a new venture (Manimala, 1992, p.477).</td>
</tr>
<tr>
<td>Entrepreneurial Learning</td>
<td>Entrepreneurial learning is concerned with how people construct new meaning in the process of recognising and acting on opportunities, and of organising and managing ventures (Rae &amp; Carswell, 2001, p.150). Entrepreneurial learning in the context of “heuristics” is defined as; the process by which people acquire new knowledge from direct experience and from observing the behaviors, actions, and consequences of actions of others; assimilate new knowledge using heuristics to confront discrepancies that are common with information acquired in uncertain contexts; and organize assimilated knowledge by linking it with pre-existing structures (Holcomb, Ireland, Michael, and Hitt, 2009, p.172).</td>
</tr>
<tr>
<td>Experiential Learning</td>
<td>This is the process in which knowledge results from the combination of grasping and transforming experience (Kolb, 1984, p. 41).</td>
</tr>
<tr>
<td>Learning</td>
<td>This is a process through which entrepreneurs learn to adjust, take decisions and develop a strategy (Deakins &amp; Freel,1998, p. 145).</td>
</tr>
<tr>
<td>Vicarious Learning</td>
<td>This is also called learning by observation in which people model the behaviors and actions of others (Bandura, 1977).</td>
</tr>
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1.6 Disposition

The disposition of this thesis is as follows:

Chapter 2
This chapter will present the previous research and studies in the area of learning and heuristics in the context of venture creation and then we will advocate the significance of entrepreneurial learning and heuristics in venture creation. Further in reference to earlier literature this chapter will discuss the role of entrepreneurial learning and heuristics in new venture creation.

Chapter 3
In this chapter a discussion in terms of theory and practice of rationales for empirical methods, choice in terms of approach, principles for drawing a sample, designing a questionnaire or interview guide are presented and argued in relation to the purpose; which is to study the role of entrepreneurial learning (i.e., experiential & vicarious) and heuristics in new venture creation. The process of gathering and analyzing empirical data, qualitative research, credibility and reliability of methods adopted for this search are main parts of this chapter.

Chapter 4
A brief description of the interviewees of this study will be presented in this chapter to facilitate the understanding of analysis. The presentation of the interviews will be followed in two parts, entrepreneurial learning (i.e., learning by experience & learning by observation) and heuristics, where the empirical findings will be presented and analyzed in a way to make a connection between frame of reference and collected field data. This division into two parts is based on our research questions, thesis purpose and frame of reference.

Chapter 5
The conclusion of the thesis will be presented in this chapter by providing the answers of research questions which are in line with the thesis purpose. Further, three propositions of this study will be presented and discussed in this chapter. At the end of this chapter limitations of the study and some suggestions for future studies to further explore the significance of entrepreneurial learning and heuristics in venture creation will be presented.
2 Frame of Reference

This chapter will present the previous research and studies in the areas of entrepreneurial learning and heuristics in venture creation. Further in reference to existent literature this chapter will discuss the role of entrepreneurial learning and heuristics in venture creation. To make a link with our research questions and to provide a base and guidance for the generation of themes from our empirical data, a brief summary of the whole frame of reference is presented at the end of the chapter.

2.1 Entrepreneurial Learning and Venture Creation

The failure of trait approach that was woven around some unique characteristics attempted to differentiate an entrepreneur from non-entrepreneur and to contribute to the understanding of entrepreneurial process (e.g., venture creation) created a vacuum within the research of entrepreneurship (Mitchell et al., 2002). Researchers recognized that entrepreneurship is about engaging in the creation of new enterprise or venture (Low & MacMillan, 1988) and creation of new enterprise or venture is closely linked with the finding and exploitation of profitable opportunities (Shane & Venkataraman, 2000). The question arises if unique personality characteristics aren’t to play any role in the creation of a venture then how entrepreneurs come up with capabilities to discover and exploit the profitable opportunities and create a venture. Rae and Carswell (2000) asserted the most important thing that the capabilities needed to identify the profitable opportunities for venture creation can be learned. Whereas Krueger (2007) argued that even entrepreneurial expertise can be learned.

Upon the emergence of behavioral approach and discontinuation of trait approach, the learning and cognitive theories (i.e., heuristics based theories) started to develop by researchers within the research of entrepreneurship. The behavioral approach views the creation of an organization as a consequence of behaviors and activities performed by entrepreneurs (Gartner, 1988). Following behavioral approaches an entrepreneur is seen as an individual who creates organization by engaging in a number of entrepreneurial activities (Gartner, 1988). The learning approach in entrepreneurship is about how entrepreneurs learn various entrepreneurial activities through different learning modes (e.g., learning by experiencing, observing and/or modeling others, and learning through explicit codified sources i.e., books, articles etc.) as argued by Holcomb et al. (2009), and how they use these learning modes to exhibit different entrepreneurial behaviors, activities, and actions during and even after venture creation. Entrepreneurial cognition approach which is heuristics based helps to know how entrepreneurs think and behave (Gustafsson, 2004).

Learning is viewed as a “process through which entrepreneurs learn to adjust, take decisions and develop a strategy” (Deakins & Freel, 1998, p. 145). Learning is a wide term which is also used in many other disciplines such as psychological and behavioral sciences. Therefore, researchers (e.g., Cope, 2005; Corbett, 2007; Deakins & Freel, 1998, Minniti & Bygrave, 2001; Rae & Carswell, 2001) have used term “entrepreneurial learning” to describe the role of learning in entrepreneurship (e.g., creation of an enterprise). However, in entrepreneurship both the terms i.e., learning and entrepreneurial learning are used interchangeably. Entrepreneurial learning is concerned with how people build new meaning in the process of identifying and acting on opportunities, and of managing and running ventures (Rae & Carswell, 2001, p.150).
While Corbett (2007, p.98) considered learning as a process through which individuals acquire and transform their information and knowledge. Therefore, Cope(2005) proposed that entrepreneurs develop and grow through learning. He further asserted that a better theoretical grasp of entrepreneurial learning is crucial for the research of entrepreneurship. While Rae and Carswell (2000) considered learning is vital to entrepreneurial effectiveness. Because learning theories propose various understandings of the role of learning in entrepreneurship (Rae and Carswell, 2000). Moreover, Minniti and Bygrave (2001) termed entrepreneurship as a process of learning, and proposed that the theory of entrepreneurship can be better defined through a theory of learning. They proposed that theory of entrepreneurship requires a theory of learning.

Deakins (1996, pp.21-22) highlighted the importance of entrepreneurial learning and persuaded the researchers to develop the learning theories within the research of entrepreneurship. He stressed that:

*We do not understand how entrepreneurs learn, yet it is accepted that there is a learning experience from merely establishing a new enterprise . . . Entrepreneurship involves a learning process, an ability to cope with problems and to learn from those problems . . . entrepreneurs learn from experience.... There is now a need for re-focusing research away from the emphasis on picking successful entrepreneurs or picking winners, to identifying key issues in the learning and developmental process of entrepreneurship.*

Similarly, Cope(2005) considered learning as a very unique and important approach to study the dynamic nature of entrepreneurship and proposed learning side of entrepreneurship as very effective in venture creation. While Rae and Carswell (2000) considered learning as very significant for entrepreneurial and/or venture creation success. They further suggested that it is crucial to search for how entrepreneurs, who have succeeded in creating a venture, learned to do so. In this paradigm Gustafsson (2004, p.4) asserted that the field of entrepreneurship does not offer recipes to create a venture, but entrepreneurs have to learn how to create a venture.

Individuals learn through experiential learning (i.e., learning by doing), vicarious learning (i.e., learning by observing the actions of others and also its consequences) and by means of open codified sources i.e., through newspapers, books, etc. (Holcomb et al., 2009). Empirical findings show that experiential and vicarious learning make a difference during venture creation (Krueger, 1993). Whereas, Mitchell et al.(2005) asserted that even appropriate entrepreneurial expertise can also be achieved through experiential and/or vicarious learning.

*Experiential learning* is “the process in which knowledge results from the combination of grasping and transforming experience” (Kolb 1984, p. 41). Hence in experiential learning, learning finds expression from doing (Holcomb et al., 2009). Harvey and Evans (1995) proposed that people decide and come to create a venture with different skill inventories and this action show their attentiveness to become an entrepreneur. Krueger (2007)argued that people learn in both cases whether experience is positive or negative. Sherman (2005, p.75)succinctly stated the importance of learning by experience as;

*Many entrepreneurs will say that they were taught business skills such as accounting and marketing in college, but they truly learned these skills in the operation of their business. Undoubtedly, learning by doing (using real money with real customers and real problems) adds a critical element to the educational experience.*
Deakins and Freel (1998) considered learning by doing as one of the major parts of entrepreneurial learning. Whereas Kaish and Gilad (1991) concluded that both entrepreneurial success and learning by doing go hand in hand. Additionally, it can be stated that the ability of entrepreneurs to learn is central to their ability to succeed (Deakins & Freel, 2006). While Krueger (2007, p.128) asserted that even the job experiences are crucial to successful managerial development.

Hatch and Dyer (2004) argued that learning by doing reduces entrepreneurial costs incurred in performing different entrepreneurial activities and it provides sustainable competitive advantage (Hatch & Dyer, 2004). While Gustafsson (2004) asserted that even the skill of entrepreneurial decision-making is learned and developed by entrepreneurs during their business days.

Deakins and Freel (2006) proposed a double-loop model of learning (see Figure 1-4) particularly highlighting the importance of experiential learning. They suggested that entrepreneurs learn from problem-solving activity or situation which they face during different entrepreneurial activities, and through this process they gain experience which in turn used by entrepreneurs to solve other problems within entrepreneurial settings. Double-loop learning model is a process of learning “how to learn” (Deakins & Freel, 2006). It means learning is a dynamic process (Krueger, 2007), while entrepreneurs learn and re-learn through their experiences.

Vicarious learning refers to the process of learning takes place when people model the behaviors and actions of others (Bandura, 1977). However, Kim and Miner (2007) asserted that individuals and organizations also learn by observing the failures of other individuals and organizations. They argued that much of learning occurs vicariously (Kim & Miner, 2007). While Holcomb et al. (2009) asserted that learning by observing others’ behaviors and actions also facilitates entrepreneurs to reduce their uncertainty. They further asserted that entrepreneurs more likely adopt those ideal entrepreneurial strategies that had been adopted by other entrepreneurs to successfully create a venture.
In that sense entrepreneurs utilize vicarious learning (i.e., modeling the behaviours & actions of others) as a “benchmarking” strategy and practice to create a venture. Therefore, specifically the children of successful entrepreneurs learn more to face uncertain conditions (Krueger, 2007).

Cope (2005) described the importance of vicarious learning during venture creation in a broader context and suggested individuals who wanted to adopt entrepreneurship as their career, they must look out the entrepreneurial settings, and must learn about the wider environment, so that they can find the profitable opportunity to create a venture. Because learning creates a unique tacit knowledge (Hatch & Dyer, 2004).

However, not only entrepreneurial learning but entrepreneurial decisions, and distinguishing ways of behaving and thinking (Mitchell, Busenitz, Bird, Gaglio, McMullen, Morse, Smith, 2007) of entrepreneurs are also equally important in new venture creation. As Krueger (2007) asserted that cognitive science suggests a lot of useful theories that researchers can use for the exploration of entrepreneurship (e.g., venture creation).

2.2 Heuristics and Venture Creation

“Heuristics” are simplifying strategies which are used by individuals to make decisions under uncertain conditions (Tversky and Kahneman, 1973, 1974). Under the conditions of uncertainty people infrequently use comprehensive analysis to make judgments or decisions, and rely on simplifying strategies, commonly termed as heuristics (Holcomb et al., 2009). Individuals make different decisions in everyday life, and to accomplish this they undertake certain mental activities (Gustafsson, 2004) and unintentionally simplify the information they have in their mind (Hansen & Allen, 1992). While, in entrepreneurial settings, heuristics are also referred to as entrepreneurial heuristics, which are thumb rules and guide entrepreneurs in making different decisions to create and manage a venture (Manimala, 1992). In the real world, entrepreneurs have to make a number of entrepreneurial decisions to start a business even when many information related to a specific market, products or certain industry are scarce or even unavailable. Additionally, these decisions are made under significant time pressure (Gustafsson, 2004, p.18). So, under such uncertain conditions, heuristics can be an effective and efficient guide for entrepreneurs to make decisions (Busenitz & Barney, 1997). Therefore, entrepreneurial decision-making is considered as a skill (Gustafsson, 2004) which is used by entrepreneurs to perform different entrepreneurial tasks (e.g., discovering or exploiting opportunity, venture creation).

The concept of heuristics as decisions-making rules and/or judgment techniques under uncertain situations was given by Tversky and Kahneman (1973, 1974). In 1990s entrepreneurship researchers also started to study the role of heuristics in different entrepreneurial decisions and actions (Busenitz & Barney, 1997).

Tversky and Kahneman (1973, 1974) described three main types of heuristics; which are defined below to recognize their role for various entrepreneurial decisions in the course of venture creation.

In Availability heuristics, “there are situations in which people assess the frequency of a class or the probability of an event by the ease with which instances or occurrences can be brought to mind” (Tversky & Kahneman, 1974, p.1127). For example an individual make the judgment about the failure of his/her business simply by imagining about the various business startup hurdles (Tversky & Kahneman, 1974).
Representativeness heuristics: “People typically rely on the representativeness heuristics, in which probabilities are evaluated by the degree to which A is representative of B, that is, by the degree to which A resembles B” (Tversky & Kahneman, 1974, p. 1124).

Anchori ng and adjustment heuristics: “In many situations, people make estimates by starting from an initial value that is adjusted to yield the final answer” (Tversky & Kahneman, 1974, p.1128). So, in anchoring and adjustment heuristic people excessively rely or anchor on specific information when making decisions. For example, an entrepreneur merely decide to start his/her business because only few number of potential customers stated they would buy a new venture’s proposed product (Simon et al., 1999, p.119).

Shaver and Scott (1991, p. 33) provided an illustration of each:

A person who just read about another restaurant’s closing in the morning will give a higher estimate of failures than will a person who has not seen such a story in a long time (the availability heuristic). A person for whom Restaurant X is typical of successful establishments will make a lower guess about failure than will a person for whom the Restaurant X resembles failures (the representativeness heuristic). Finally, a perceiver who knows that three local restaurants have failed will make a smaller estimate than a perceiver who has been told that 10,000 restaurants have failed nationally (the anchoring heuristic).

Simon et al.(1999) described that these cognitive biases are mental shortcuts which are used by individuals to make everyday judgment. They associated even risk perception with some kind of cognitive biases and proposed that these cognitive biases lead individuals to perceive low risk in the course of venture creation. They proposed a model (see Figure 2-4) to describe the role of three different cognitive biases or heuristics (e.g., Illusion of control, belief in the law of small numbers & overconfidence) in new venture creation and described that these heuristics are useful for entrepreneurs to start their ventures because they low the risk perception associated with new venture creation.

![Figure 2-4 Model of the decision to start a new venture](Source: Simon et al., 1999, p.125).
Therefore, under uncertain conditions when risk is high to make different entrepreneurial decisions, entrepreneurs have to use simplifying strategies or heuristics (Busenitz & Barney, 1997). Particularly, during venture creation, it is difficult for entrepreneurs to make many entrepreneurial decisions without the use of different cognitive biases (or heuristics) (Simon et al., 1999).

In case, heuristics were not used by entrepreneurs, a number of entrepreneurial decisions and actions could never have occurred (Busenitz and Barney 1997). Similarly Manimala (1992) argued that without heuristics many entrepreneurial actions cannot be performed. Moreover, entrepreneurs are perceived as opportunists (Gartner et al., 1992). As Busenitz and Barney (1997) asserted that especially in a venture creation, window of opportunity opens for a short period of time and if entrepreneurs start waiting and gathering each and every piece of information to make more rational decisions they might lose the available opportunity.

Whereas Manimala (1992, p.480) argued that if a heuristic is accepted and acknowledged by an individual or entrepreneur as a decision-rule, it becomes a policy. Therefore Manimala (1992) considered both heuristics and policies as decision rules or decision making mechanisms. He further argued that heuristics are revealed through entrepreneurial actions while policies are explicitly stated. Alike, Gustafsson(2004) assumed decision-making (a heuristics based skill) as a strategy which people adapt to perform their mental operations.

Busenitz and Barney(1997) argued that entrepreneurs have to overcome multiple hurdles to successfully launch a new venture and if they start facing and overcoming these hurdles by adopting strict analytical approach, they would not be able to make many entrepreneurial decisions and consequently have to delay many entrepreneurial actions. Therefore, researchers (e.g., Busenitz and Barney, 1997; Holcomb et al., 2009) consider heuristics as the appropriate decisions making mechanism, particularly in venture creation, when many information on specific markets, previous performance levels, and historical trends are scarce (Holcomb et al., 2009). As Gustafsson (2004, p.18) asserted that in the real world many decisions are made by individuals under significant time pressure and with the information which are imperfect, incomplete, of poor quality, ambiguous and likely to be dynamic in nature. Therefore, in particular during venture creation when such uncertain conditions prevail more, the use of heuristics as decision-making mechanism is very useful (Busenitz & Barney, 1997).

Alternatively, entrepreneurs should aware that cognitive heuristics can lead erroneous judgments and decisions (Mitchell et al, 2007, p.6). However, the decisions which are made by using cognitive heuristics produce such actions (Schwenk, 1986) that are helpful to create a venture (Busenitz and Barneay, 1997). Therefore, cognitive biases should not be minimized (Schwenk, 1986). Additionally, heuristics based logic allows entrepreneurs to cope with uncertain and complex conditions more promptly (Mitchell et al., 2007).

Although, entrepreneurial opportunities are discovered by entrepreneurs on the bases of their previous knowledge (Corbett, 2007, p.97), however they should also have the cognitive abilities to exploit their previous knowledge and to identify these opportunities (ibid). Baron(2006, p.104) claimed that entrepreneurs use cognitive frameworks they possess to “connect the dots” between changes in markets, government policies, and other factors. So, By connecting dots they direct their own learning (Krueger, 2007), and consequently identify profitable opportunities to create their own ventures (Baron, 2006).
Once entrepreneurial learning is defined in the context of heuristics (see section 1.5: definitions), the role of heuristics as information retrieval process can be recognized. Therefore, heuristics as retrieval processes is considered key not only to recall the information (which are acquired through learning) hold in memory but also to long-term retention of the learning (Karpicke & Roediger, 2007). In that paradigm Holcomb et al. (2009) developed an architecture of entrepreneurial learning and heuristics. (see Figure 3-4).

![Architecture of Entrepreneurial Learning](image)

**Figure 3-4 Architecture of Entrepreneurial Learning (Source: Holcomb et al., 2009, p.176).**

This architecture attempted to describe that entrepreneurial learning which is used to perform different entrepreneurial actions and the outcomes of these actions are affected by heuristics. As Mitchell et al. (2007, p.14) asserted that entrepreneurial thinking (i.e., entrepreneurial heuristics) affects entrepreneurial outcomes (e.g., venture creation). Because information and knowledge acquired in the form of experiential and observational learning are not enough to make more rational entrepreneurial decisions, as a result of this knowledge gap the effects of heuristics are vulnerable (Holcomb et al., 2009).

Additionally, knowledge and skills acquired (by entrepreneurs in the course of experiential & vicarious learning) are insufficient if entrepreneurs do not know where, when and how to deploy these learned skills (Krueger, 2007). Alike, to cope with limitations of information, entrepreneurs have to rely on simplifying strategies i.e., heuristics (Simon et al., 1999). Therefore, heuristics-based logic (Ucbasaran et al., 2001) and knowledge gained in the form of experiential and vicarious learning are used by entrepreneurs to make different entrepreneurial decisions, to perform various entrepreneurial actions and to overcome different hurdles during new venture creation.
2.3 Summary

The role of entrepreneurial learning (i.e., experiential & vicarious) and heuristics in venture is summarized here in the light of our theoretical frame of reference.

Researchers (e.g., Deakins & Freel, 1998; Deakins & Freel, 2006; Kaish & Gilad, 1991; Harvey and Evans, 1995; Hatch & Dyer, 2004; Holcomb et al., 2009; Krueger, 1993; Mitchell et al., 2005; Sherman, 2005) argued experiential learning very effective for entrepreneurs to perform different entrepreneurial activities (e.g., venture creation) and to overcome different hurdles that they encounter during venture creation and also thereafter. Through literature review, we have found experiential learning which is acquired by entrepreneurs in the course of their previous direct experience, is a key in starting a business. Through their experience, entrepreneurs reduce and minimize the strangeness circumscribing the starting and running of a business. Doing by themselves bring them a lot of skills and information which might not be in their knowledge before.

Researchers (e.g., Bandura, 1977; Cope, 2005; Kim & Miner, 2007; Holcomb et al., 2009; Krueger, 1993; Mitchell, 2005) described that individuals also learn by observing the behaviour, actions and consequences of the actions of other people (e.g., entrepreneurs) and termed as vicarious learning. During venture creation, entrepreneurs are more likely to adopt business strategies which they have learned by observing the successful entrepreneurs. On the other hand, entrepreneurs avoid to take such decisions and actions which they observed as causes of the failure of others’ businesses. Furthermore, successful entrepreneurs who succeeded in earning wealth and fame in a society are also role models for individuals in starting their own businesses. Therefore, entrepreneurs within their own situation follow and adopt model strategies of the other successful entrepreneurs.

Moreover, our second research question is concerned with finding the role of heuristics as decision-making mechanism in venture creation. Researchers (e.g., Busenitz & Barney, 1997; Gustafsson, 2004; Hansen & Allen, 1992; Karpicke & Roediger, 2007; Krueger, 2007; Manimala, 1992; Mitchell et al., 2007; Schwenk, 1986; Shaver and Scott, 1991; Simon et al., 1999; Tversky and Kahneman, 1973, 1974) considered cognitive heuristics as mental shortcuts which individuals use in every day judgment especially under uncertain situations. Likewise, heuristics as decision-making mechanism are widely used by entrepreneurs specifically in venture creation when uncertainty is high as compare to a running and established business. Additionally, if entrepreneurs start to wait for getting each and every information for decision making, they might not be able to start a venture. Through literature review, we found that being opportunists, entrepreneurs are keen to grab profitable opportunities. As discovery and/or creating profitable opportunity is considered as a first and foremost step towards venture creation, so entrepreneurs never like to lose available venture creation opportunity and rely on heuristics as simplifying decision making strategies to grab the existing opportunity, and subsequently in taking different entrepreneurial actions.

Moreover, we have found through literature review that entrepreneurs perceive less risk by using their heuristics during new venture creation, which consequently lead them to create their own venture.
3 Methodology

In this chapter a discussion in terms of theory and practice of rationales for empirical methods, choice in terms of approach, principles for drawing a sample, designing a questionnaire or interview guide are presented and argued in relation to the purpose; which is to study the venture creation and to investigate its link with entrepreneurial learning (experiential and vicarious learning) and heuristics. The process of gathering and analyzing empirical data, qualitative research, and credibility and reliability of methods adopted for this research are main parts of this chapter.

Methodology as asserted by Strauss and Corbin (1998, p.4) is a “way of gathering knowledge about the social world”. Denzin and Lincoln (2000) have asserted some of the research methodologies as biography, clinical study, case study, grounded theory, historical research and ethnography. Our methodology was based on grounded theory accomplished by qualitative methods of data collection as well as analysis as argued by Regnér (1999) that a research methodology is in its spirit the content of science and we have to mention the research procedures unambiguously. Our research design and data collection as asserted by Bryman and Bell (2007) is focused by our research questions which we derived from theoretical framework. Our research design as argued by Yin (1994) being a part of the research methodology, is a logical sequence and an action plan through which we connected our empirical data to research questions which is to study and analyze the role of entrepreneurial learning and heuristics in venture creation, and finally the three propositions as our research product. We have presented our research problem, as argued by Makela and Turcan (2007), in the two research questions. Following them we thus explicitly formulated the research questions to focus on studying and analyzing the role of entrepreneurial learning and heuristics in venture creation. We have mentioned our way of thinking about achieving the purpose of the thesis and studying the social reality as argued by Strauss and Corbin (1998) by conducting semi-structured interviews with open-ended questions and applying a neophyte model by Walker, Cooke and McAllister (2008) for the analysis of our empirical findings guided by the frame of reference and concluded with three propositions based on the concept of grounded theory. We started our empirical research as argued by Smith and Osborn (2008) by gathering data through interviews, stayed closed to the data as a characteristic of grounded theory, developed concepts as themes, and finally conceptualized the empirical data into propositions to make sense of our findings.

3.1 The Choice of Research Method

In this sub-section we have an overview of the two main approaches prevailing in research methodology i.e. qualitative and quantitative. We have used a qualitative approach of investigation, data collection and analysis because entrepreneurship as argued by Bygrave (2007, p.43) is not a fixed and static state to measure and “is a process of becoming”, further it is not a “steady state phenomenon” and changes non-smoothly with time and environment. Whereas, quantitative research emphasizes on the quantification of data collection and analysis as argued by Bryman and Bell (2007) and the observation of social world as an external and objective reality. Holloway (1997) advocated of qualitative research for its way of capturing the individual’s experience, interpretation and sense making of their environment. We agree with Johnstone (2007) that collecting and analyzing quantitative data and using convoluted statistical analysis doesn’t ensure that our research questions will be answered.
Our focus was to uncover and understand the role of entrepreneurial learning and heuristics in venture creation by adopting qualitative research methods, because in this type of inquiry as argued by Bryman and Bell (2007) interpretations of the social world by the respondents is possible to study and analyze. Following them we hold that qualitative research is about unfolding events over time and identifying interconnectedness between the actions of entrepreneurs in their social and business settings and that qualitative data is descriptive. On the other hand they asserted that with quantitative study we can test and verify our findings, which was not the case in our thesis, but the meaning of actions and theory to emerge from data. Johnson and Turner (2003, p.297) hold that pure quantitative research is ‘confirmatory, deductive, structured, closed-ended, controlled, and linear that results in quantitative data’, while our research is exploratory, semi-structured, inductive, open-ended, least controlled, and results in qualitative data.

The choice of our research method, which is qualitative and the purpose of the research inquiry which is behavioral, as claimed by Neergaard (2007) are deeply inter-related. Following her we argue, as the population of entrepreneurs under study is insufficient to provide a basis for quantitative analysis, we followed qualitative investigation to study founder-owner entrepreneurs as a small subgroup of entrepreneurs, and to serve the purpose of our research which was to study and analyze the role of learning and heuristics in venture creation.

3.1.1 The Qualitative investigation

The purpose of our qualitative research as argued by Neergaard and Ulhoi (2007) is to get insight into venture creation as a social phenomena in its natural settings, in relation to learning and heuristics and with due emphasis on the meanings, experiences and views of the entrepreneurs under study. Our approach is pure qualitative (Johnson & Turner, 2003). Wigren (2007) asserted that a qualitative study focuses on understanding in its naturalistic setting, of a certain phenomenon (e.g., venture creation) or person (e.g., entrepreneur) and depending on assumptions about ontology and epistemology, and that different qualitative techniques and approaches are applicable.

Qualitative research as claimed by Auerbach (2003) involves analyzing and interpreting texts and interviews among others, in order to investigate specific patterns, such as analyzing the role of learning and heuristics in venture creation. Following Rubin, and Rubin (1995) we let ourselves free to follow our data where they led. Saunders, Lewis and Thornhill (2007) argued that in qualitative research we explore an object or phenomena in close approximation to reality. Neergaard and Ulhoi (2007) argued that we can go beyond meager descriptions of our empirical findings in qualitative research. Following Johnson and Turner (2003) we maintain that respondents can provide the answers in their own words, in response to our open-ended questions in the interviews.

3.1.2 Interviews: Our research instrument

Bryman and Bell (2007) argued that interviewing is the most widely utilized method in qualitative approach of investigation. The empirical data in our research was collected through interviews, aiming at finding the answer to our research questions, i.e., what is the role of experiential and vicarious learning in venture creation?, and what is the role of heuristics in venture creation? We couldn’t arrange audio-visual instruments to record interviews and mainly relied on field notes. By interviewing we captured as argued by Flick (2009) the respondents’ expressions and description of activities in their local context. Bryman and Bell
(2007) asserted that we have to see through the eyes of participants and contextually understanding their meanings in natural settings. We included four interviews among nine entrepreneurs, and it was subjected to sufficiently motivated respondents.

The level of structure is also a very important factor in the choice of design of interviews as argued by Johnstone (2007). The interviews as argued by Saunders et al. (2007) can be unstructured, semi-structured or structured. Johnstone (2007) hold that highly structured interviews can be a better choice to collect data from many people quickly, using even less trained interviewers, and a larger area can be covered.

As we were looking for thick description, tinge and meaning rather than numerical data as argued by Johnstone (2007) our choice of design settled on semi-structured interviews. Following him, we offered topics and questions to the entrepreneurs to evoke their experiences, observations and decision making strategies. Further, we avoided guiding or subjecting the interviewees as argued by Johnstone (2007) towards preconceived choices, but kept the participants focused on the topics of interest and probed them frequently. The purpose was to collect descriptive data and to note how meanings are structured or connected together as asserted by Johnstone (2007). We had a list of topics and questions as argued by Saunders et al. (2007) to be covered during the interview session.

Our open-ended questions as argued by Bryman and Bell (2007) offered interviewees the opportunity to express their perspectives in their own words, while we exercised the least control. We had adequate topics outlined as experiential learning, vicarious learning and heuristics, as asserted by Scheurich (1997) to keep focused and unambiguous during interviews. The entrepreneurs responded to our open-ended questions as claimed by Flick (2009) on the basis of their readily available knowledge and are thus more credible.

Creswell, Clark, Gutmann and Hanson (2003) have also advocated open-ended data collection through interviews and observations among other procedures. In case of structured interviews based on closed ended questions as claimed by Polit and Beck (2007, p.415) some respondents may find themselves being forced into choosing from response options that do not reflect their opinions accurately. We were non-judgmental and passive learners of how the entrepreneurs weighted their learning and heuristics in venture creation as asserted by Morse (1994) and were purposely remotely relevant to these topics. Being nonjudgmental during interviewing, as asserted by Johnson and Turner (2003) is effective in avoiding potentially biasing effects of our preconceived theories and experiences. Following them, we hold that using interview guide, with pre-specified topics listed on, can be reworded and re-ordered in a desired sequence depending on the situation and flow of interview. We frequently used probing for clarification or for obtaining more details.

The four entrepreneurs among nine respondents spared one to two hours each to participate in the interview, while we spent two to three hours on selected interviewees to transcribe them afterwards and as argued by Morse (1994) that achieving comprehension in the data is very important.
3.2 The Empirical Data

The empirical data is the essence of all researches irrespective of whether it is qualitative or quantitative. To collect data, we have conducted personal interviews with nine entrepreneurs, where as four respondents were found as fulfilling the purpose of our thesis. The purpose of this section is to briefly introduce the process involved in data collection.

3.2.1 Sampling

Sampling is an important and key step in the research as argued by Bryman and Bell (2007) and that the most important matter is the choice of subject i.e., the entrepreneurs who we needed to investigate in relation to our research questions. Collins, Onwuegbuzie and Jiao (2006) argued that in both quantitative and qualitative studies, researchers must decide the sample size as well as the sampling scheme. The required sample we were looking for, encompassed the founder-owner entrepreneurs, irrespective of the size and nature of their company or business. Due to the information available on the internet as well as in the print media in Swedish language, we found ourselves apparently barred from gaining access to a lot of potential interviewees. So we seek out help from our Swedish friends and were successful in managing interviewing nine business owners. On scrutiny four interviews were found comprehensive and reliable to be used in the analysis.

Neuman (2005) claimed that the primary goal of sampling is to collect specific cases, as we did by concluding with four entrepreneurs to clarify and deepen our understanding of the role of entrepreneurial learning and heuristics in venture creation. Flick (2009) argue that researchers have to face issues of sampling at different stages in the research process. Following him we decided to interview founder-owner entrepreneurs as part of case sampling. He further asserted that material sampling is about deciding which of the interviews should be further treated i.e., transcribed and analyzed. On the other hand, sampling within material depends on the selection of parts of a text we select for interpretation as asserted by Flick (2009). Finally, presentational sampling, as he claimed, is about the selection of cases or parts of text which best describes our findings. Neuman (2005, p.219) asserted that ‘in sampling a researcher selects from a larger pool and might be able to generalize to the wider population’.

Johnstone (2007) argued that if there is an imbalance of ethnicity and status of the participants in an interview, then it might hinder the respondent from admitting an attitude or belief, which we observed even in pursuing and locating the target entrepreneurs and later on in interviewing, but we claim to balance the effect with the help of our Swedish friends.

Sampling procedures in the social and behavioral sciences as claimed by Teddlie and Yu (2007) are categorized as probability, purposive, convenience and mixed methods sampling. Probability sampling techniques as asserted by Teddlie and Yu (2007) are primarily used in quantitative studies, and aim to achieve representativeness, whereas we have adapted qualitative approach. Purposive sampling techniques as argued by Maxwell (1997) are primarily used in qualitative studies to select units e.g., individuals or institutions, based on specific purpose focused by the research study’s questions. We hold that purposive sampling couldn’t serve our purpose due to the unavailability of targeted entrepreneurs, i.e. founder-owner entrepreneurs willing to be interviewed.
Mixed method sampling as asserted by Kemper, Stringfield, and Teddlie (2003) involves the selection of participants using both probability and purposive sampling. Our target population of founder-owner entrepreneurs willing to be interviewed, as asserted by Neergaard (2007) turned out to be small and not easily identifiable. So, we adapted convenience sampling as claimed by Teddlie and Yu (2007) that it involves targeting entrepreneurs who are easily accessible and also willing to partake in our research. Following this strategy, the selection of sample was based on the timing and availability of respondents. We needed convenience of access to target entrepreneurs in agreement with Platt (2007) that though this sampling strategy is not optimal but we can’t underestimate it’s worth under certain conditions as ours. We gained access to business persons, willing to spare time for the interview by personally walking around the town and involved native friends to minimize the effect of alienation, and it was important to mention here as claimed by Bryman and Bell (2007).

### 3.2.2 Data collection

Empirical data is the essence of our research, and is guided by our research design. According to Morse (1994) we have to strive for finding answers to our questions, by focusing on observations and memory recall of the data along with the interviewee responses during the interviews. Strauss and Corbin (1998) hold that research methods such as interviews, observations, personal experiences, coding and iteration are techniques for collecting and analyzing empirical materials.

We collected the empirical data through semi-structured interviews in the form of filed notes, using open ended questions which allowed relevant issues to be pursued as it arose during interviews and in as natural way as possible. The interviews were developed on the basis of a review of the literature. In order to avoid the risk of forgetting or misinterpreting the answers from an interviewee, we transcribed each interview written protocol within two hours after having accomplished the interview, aiming to make it more reliable. In order to maximize the data accuracy and reliability, we followed Huber and Power (1985) guidelines on how to get quality data from single informants by using tandem interviewing and follow-up probes to ensure that the original questions as well as the answers were understood by the participants. We ensured the anonymity and confidentiality of responses as asserted by Huber and Power (1985) in an attempt to motivate the respondents to co-operate with us and seek factual data with their trust. We discarded two interviews on the point that the interviewees were not truly involved in the interview process, one having the same ethnic origin as that of ours and was in his struggle to please us, while the other interviewee with an academic background in business studies was reacting as taking some written examination of a university course and the responses were observed as biased by his preconceived theories.

During the data collection by interviewing, we kept on noting everything, in accordance with Eisenhardt (2002) as it is often difficult to decide what comments or insights told by the entrepreneurs regarding the role of learning and heuristics in venture creation, will be important or unimportant. Following her, we frequently probed the respondents to have unambiguous responses and to take advantage of special opportunities inherited in the interviews. Thus, we concluded with four interviews out of nine, as data collection and research instruments as argued by Gherardi and Turner (2002) to have an account of reality which is to study and analyze the role of entrepreneurial learning and heuristics in venture creation.
3.3 **Convincing the readers**

The purpose of our thesis is to get a deeper understanding of the role of entrepreneurial learning and heuristics in venture creation. This section contributes to the discussion of reliability and credibility in data collection as well as in data analysis, which is the quality of rigorous and logically valid field research. We argue that our findings are rigorously induced from four personal interviews with the founder-owner entrepreneurs in a reliable and unbiased way. Also we claim that our findings are neutrally assessed against theory.

### 3.3.1 Reliability

In this sub-section we have addressed issues relating to reliability i.e. the lack of error and bias, in data collection as well as data analysis. Walsh and Downe(2005) have implied reliability and validity as research appraisal techniques. Lillis(2006) asserted that when we address complex behavioral issues, such as the role of learning and heuristics in venture creation, then unmistakably defined measurement regulations become knotty.

We were obliged, as argued by Lillis(2006) to be meticulous and unbiased, on the other hand be open-minded and flexible, so that we had reliable data and logical consequences afterwards. We agreed with her on not to rely profoundly on perceptions during interviews because it pessimistically affects the stability of our observations or inquiry, so we used probing to have the clear responses.

We also were much concerned about the reliability of data for ourselves as claimed by McKinnon(1998). Lehner(1979) advocated of reliable data as reproducible and being able to obtain similar data again, which we disagree on the point that we can get very close approximations only and agree with Lilli(2006) on the minimization of error and bias.

Lillis(2006) claimed that threats to reliability and validity have to be faced by researchers, at both the data collection and data analysis phases. Atkinson and Shaffir(1998) asserted that the reader should see the logical criteria of relevance, sufficiency and acceptability throughout the research process. We used convenience sampling to avoid the accidental circumstances and gathered data as argued by Kirk and Miller(1986) that reliability may be blighted otherwise. We assured the interviewees about the privacy, data confidentiality and academic purpose of interviews as McCracken(1988) claimed that respondents sometimes perceive risks or problems and may consider interviews as endangering their time, privacy and emotions. So we ensured that the respondents were at their comfort and willing to the entire interview process.

In some cases, the participants want to be more helpful and appear knowledgeable as argued by Atkinson and Shaffir(1998), so they tell more than they really know, as we found with one graduate entrepreneur, while doing scrutiny and coding, we found it difficult to get the true underlying knowledge regarding the role of learning and heuristics in venture creation, so we didn’t include this interview in our research. On the other hand, Young and Selto(1993) claimed that participants can dilute reality if they perceive the researcher to be digging into sensitive issues of the business or his/her social life.

Lillis(2006) claimed that there might be the possibility of findings as invented product of the interaction between researcher and participant, and not an unadulterated reflections of the underlying reality. Jamal, Kline and Herremans(2006) asserted if questions are unclear, respondents can provide inaccurate answers, leading to validity and reliability concerns, so we had clear and easily understandable questions, to serve the purpose of our research.
To minimize the threats to reliability, Lillis (2006) emphasis on the acknowledgement of theoretical foundations of the study, as we presented in our frame of reference incorporating theory related to entrepreneurial learning and heuristics (or cognition). We focused on the interviewees responses, and transcribed only what they said to avoid the potential bias of our preconceived theories as argued by Atkinson and Shaffir (1998) in our observations and data collection. The inclusion of four interviews among nine respondents was to enhance reliability as asserted by McKinnon (1988) through guarding against an individual bias or selective memory effect.

3.3.2 Credibility

Denzin and Lincoln (2000) argue that qualitative research is not objective but subjective and we have to avoid distorting the reality with our preconceived theories and beliefs. We interviewed and scrutinized nine entrepreneurs into four as our different data sources, with different perspectives and we being two analysts to achieve credibility. Authenticity criteria claimed by Lincoln and Guba (1985), is in line with the constructivist epistemology, for judging qualitative research. Wigren (2007, p.385) argued “researchers operating in the interpretive paradigm apply social construction and constructivist criteria or postmodernism criteria”.

Our empirical findings were ultimately texts to be produced in our thesis, which we claim as authentic and genuine as argued by Wigren (2007) that readers should see that we have been in the field and documented the stories and experiences, by observing and participating in the interviews with the respondent entrepreneurs. We have produced thick descriptions of our findings, as stressed by Geertz (1973) to convince the reader.

We claim of having plausible study as asserted by Van Maanen (1979) that we took the responsibility to organize, explain, and forward the field study to readers. We applied frame of reference on the empirical findings as part of our analysis to strive for answers to our research questions as argued by Wigren (2007) and to claim plausibility in our research. We agree with him upon the point that the quality of our findings and analysis depends on how well we managed the gap between the empirical and the theoretical world.

We argue that our thesis offers the readers, the possibility to take a step back and challenge our findings and conclusions as argued by Wigren (2007) by applying criticality in our research study. We discarded five out of nine interviews as asserted by Wigren (2007) that the major part of field research is often tacit, and to create trustworthiness, we have to be open towards the readers of the text, telling about success as well as hindrances in the field. Following him we were at an arm’s length, reactive, and non-judgmental while interviewing the entrepreneurs because sometimes emotions in the field can cause biased conversation, as demonstrated by an interview with a graduate student entrepreneur, and another with a respondent of researchers’ ethnic origin. One of the respondent was not comfortable with sparing additional time to clarify some of the points and confirmation of core information later on. Two of the interviewees who claimed to be founder owners of the business, were however later on during the interviews came to our knowledge that they actually have taken over their family businesses. So, these five interviews were discarded.
Stewart (1998) recognizes the researcher as the focal research constituent whose inquiring experience can influence the process of field study, so we kept in mind the biased effect of our academic study, and previous job experience. We critically reviewed our findings and analyses in an unbiased way as Van Maanen (1979) argue that the quality of data from empirical findings and the researchers’ understandings of the social world are closely linked.

3.4 Analyzing Qualitative Data

Smith and Osborn (2008) argue that there are no hard and fast rules or requirements to cut text into pieces for meaningful units and assign a comment for each unit. We followed four stages in the process of our research in agreement with Creswell, Clark, Gutmann, and Hanson (2003, p.220) as our ‘research problem, data collection, data analysis and data interpretation’, which is argued by Morse (1994) as comprehending, synthesizing, theorizing and re-contextualizing. Miles and Huberman (1994) described three broad tasks in qualitative data analysis: data reduction, data display, and conclusion drawing or verification. Our inquiry was exploratory as asserted by Creswell et al. (2003) with a thematic focus on understanding the role of entrepreneurial learning and heuristics in venture creation.

Following Morse (1994) we maintained the process of analysis as amalgamating data together, making the implicit as explicit, relating various specifics, and linking consequences to antecedents. He further asserted the process of speculation, correction and modification as part of analysis process.

Following Beins (2004) we hold that analyses of behavior in our research involved discussions of how entrepreneurs experience and feel events in their business and social life. Our analyses as claimed by Spector (2005) are a good means of generating propositions. Many of the analytical procedures are usually associated with specific approaches such as grounded theory (Strauss & Corbin, 1998), phenomenology (e.g., Van Maanen, 1979), discourse analysis (e.g., Potter & Wetherell, 1994), and narrative analysis (e.g., Leiblich, 1998) as cited in Thomas (2006, p.237).

Our analysis was guided by inductive approach which is the evident strategy as claimed by Bryman and Burgess (1994) in much of qualitative data analysis. We had detailed readings of raw data to derive concepts, themes, or a model which is common in several types of qualitative data analyses, especially grounded theory (Strauss & Corbin, 1990). Our inductive analysis is consistent with Strauss and Corbin’s (1990) description that we began with an area of study, which was to investigate the role of entrepreneurial learning and heuristics in venture creation, and then allowed the theory to emerge from the data.

We had detailed and thick descriptions of interview transcripts based on the notes taken during the interviews. We edited, reduced or extended the interview material, as argued by Miles and Huberman (1994) to make it available for analysis. We reached comprehension in our interviews as asserted by Morse (1994) by having enough data and being able to write a detailed and lucid portrayal. The different analysis stages in our investigation were organized mainly by adopting the data analysis model of Walker et al. (2008) as under:
- **Interview discourse description:** In the first stage, we produced interview discourses as asserted by Walker et al. (2008) as plain conversations among the participants, written as detailed text with the help of field notes. We read and reread the transcripts as argued by Smith and Osborn (2008) very keenly in order to get utmost familiarity with the interview content. We were non-judgmental at this stage of analysis and included everything in the interview discourse, even the expressions or emotions of the interviewees, where appropriate. Landy and Conte (2004) claimed that qualitative research produce narrative descriptions of events or processes, as evident in the transcribed interviews with four founder-owner entrepreneurs.

- **Identification of relevant discourses:** By reading and re-reading the transcripts of each interview as asserted by Walker et al. (2008), we identified relevant discourses from each participant’s transcribed interview, which resulted in the interviewee responses in detail and excluded our question texts and other irrelevant description. Then a summary of the identified relevant discourses were forwarded to interviewees to confirm that the essence of their experience has been incarcerated (Walker et al., 2008). After confirmation with the corresponding interviewee, the transcripts were read several times to identify categories i.e., the role of experiential learning, vicarious learning and heuristics in venture creation to generate core information which will be then conceptualized into broader themes as asserted by Jain and Ogden (1999).

- **Extraction of core information:** Segments of interview texts from identified relevant discourses were coded to extract core information related to a particular category, i.e. entrepreneurial learning or heuristics as asserted by Elliott and Gillie (1998). While doing coding, we were judgmental based on our theoretical framework, keeping in mind the research questions which were to study and analyze the role of learning and heuristics in venture creation. The purpose of coding or extracting the core information, as asserted by Flick (2009) has the aim of categorizing and/or theory development.

- **Themes generation:** Based on the core information, ornate behaviour or themes were generated specific to the role of experiential learning, vicarious learning and heuristics in venture creation. Towards the end of study, as argued by Marshall (1999) we had major themes identified. At this stage our background knowledge, guided by theoretical framework had the focal role of meaning construction. It is in agreement with the Schwandt (1994) argument that we captured what we were told about and then took the role of meaning-making of the findings.

- **Summary:** Themes generated from all the four participants were summarized to de-contextualize and theorize as argued by Morse (1994), which ultimately led us to put forward three propositions.
- **Discussion:** In the discussion section, we will explore the meanings, as argued by Walker et al. (2008) explicitly or implicitly incorporated in our empirical findings and linking with theoretical frame of reference. We will also look for connections of learning and heuristics in venture creation. We will utilize the synthesized themes from four interviews to develop a theoretical model of our understanding of this thesis.
4 Empirical Study and Analysis

A brief description of the interviewees of this study will be presented in this chapter to facilitate the understanding of analysis. The presentation of the interviewees will be followed by two parts, “Learning” and “Heuristics”, where the empirical findings will be presented and analyzed in the light of theoretical frame of reference. This division into two parts is based on our research questions, thesis purpose and frame of reference.

4.1 The Interviewees

We scrutinized four founder-owner entrepreneurs among nine interviewees, representing four different businesses i.e., readymade garments, hair/beauty products, human resource services, and long board manufacturing business. The interviewees, were actively involved in the day to day activities of their businesses. Founder-owners were selected for interviews to fulfill the purpose of this study i.e. to study the role of learning and heuristics in venture creation.

4.1.1 Qaiser Garments

Mr. Qaiser Abbassi is a founder-owner of this business. He is running this business since 2003. He had job experience in the same industry for two years. Before getting into this business he also had worked in the cleaning industry, and had served in McDonalds for two years. He is an immigrant with ethnic origin in Asia. In the beginning of his business, he was single handed, and now have one full time employee, assisted by two part time employees. He imports readymade garments from European countries other than Sweden and supply it to other businessmen and direct to customers.

4.1.2 Jönköping Afroshop

This business is owned and run by the founder-owner Ms. Fati, who is a female of African origin. This business operates within hair and beauty products industry. The business is not the developer or manufacturer of the beauty products but involves in selling only. The owner had work and business experience in hair and beauty products for more than seven years in her native country. She also has local experience in Sweden, by working in a hair salon. After working for two years, she decided to run her own business, and passed through the legal framework, until she set up this business three years ago in Jönköping Centrum. She has one full time employee and a part time assistant.

4.1.3 “X” Human resources company

The business is owned and run by founder owner Mr. A. The name of company and founder owner is kept anonymous as it was demanded by the interviewee. The company manage the supply of teaching services in Math, Music, Swedish language for private lessons to private persons. The respondent has one person working full time with him while part time tutors are hired, depending on the demand of the customers. The owner himself is Gymnasium/Secondary school educated and started this business two years ago. He has experience of providing private coaching of music lessons to individuals or groups, and later turned into entrepreneur by creating his own venture, looking into the demand of the growing and satisfied customers.
4.1.4 ECKS Long Boards Jönköping

The company is owned and run by founder owner Mr. Anton. It is a part-time business, manufacturing longboards at local level and is in its infancy. The owner is a secondary school student and has involved three of his friends as partners. He set up the company one year ago. He has experience of manufacturing long-boards as his hobby for the last five years. His father being a businessman and has a consultancy firm in Jönköping, is a role model for him. He wants to do a bachelor degree in business studies. After graduating, he is determined to do more in his business but not yet clear, what business he will pursue in the future i.e., whether to expand his present business or start another.

4.2 Entrepreneurial Learning and Venture Creation

In this section, the empirical findings regarding the entrepreneurial learning will be presented and analyzed. The section has thus been split into two parts: Experiential learning and Vicarious learning.

4.2.1 Experiential learning

Through our empirical findings, we have found that learning by doing is an important part of entrepreneurial learning and it has been considered very effective in venture creation by entrepreneurs under study. In our study, experiential learning has been identified playing the most important role in venture creation and is linked with previous direct business experience (e.g., Fati; Jönköping Afroshop), previous employment experience in the same industry (e.g., Qaiser Abbassi; Qaiser Garments), coaching experience in music (e.g., Mr. A; X Human resources company) and learning by doing in the form of hobby (e.g., Anton; ECKS long boards Jönköping). The entrepreneurs under investigation confirmed that learning by doing have given them confidence, and ultimately led them to start their own business. Therefore, when asked if they had any previous direct experience before starting their own business, their answers were as follows:

“No! I hadn’t experience in this business. I mean I didn’t have experience as a business owner, but I had job experience. I had worked with Mr. Y, for three years, in the same industry. I did a lot of work for him as an employee. I did sales, purchase, marketing for Mr. Y. It was a small business, and there were three persons helping him in running the business”. (Qaiser Abbassi, Qaiser Garments)

“Yes, I had experience. Ten years ago, in Ghana, I had the same business. After coming here in Sweden I worked as a cleaner for 3 years. At one time, I got job in a hair dressing and beauty shop here in Sweden. I was happy there and worked for two years as an employee. During that period I got a lot of information about the local market, the customers and the places or suppliers where I can get the required stuff.”

(Fati, Jönköping Afroshop)

There was a different story of Mr. Anton of ‘ECKS long boards’ regarding his experience in the business. He had unique experience before formally starting his own business. His answer was as follows:

“I am secondary school student. It was my hobby to make long boards. When I noticed, people are interested in my long boards, I thought of starting this hobby as a business. One of my friends is expert in making the wheels for use in these boards. He also encouraged me to start it as a business. So, I have my company in the name of “ECKS long boards” now”. (Mr. Anton, ECKS long boards Jönköping)
In these responses there is a common theme that individuals formally decided to create their ventures when they satisfied that they had learned necessary skills and abilities. This attentiveness and preparedness of entrepreneurs to create a venture was substantiated by Harvey and Evan (1995).

While Mr. “A”, the founder owner of “X” Human Resources Company Jönköping also had some experience of providing private coaching in music. He hadn’t provided tuition in mathematics or other subjects but he found a gap in the market regarding providing private tuitions. So, he started providing tuition in other subjects as well, by hiring other tutors. Therefore when enquired about how his coaching experience in music helped him in starting a business, He responded as under:

“Definitely, experience which I gained through my work as a music tutor, was beneficial for me to start my own business. I think, the biggest hurdle in starting a business is the strangeness surrounding that business. So you need to come closer to the business. You need to know, how a business can be started and run. I mean learning, and I believe learning by doing is the best formula. This is what you call experience. By experience you know exactly, what you need to serve your purpose”.
(Mr. A, “X” Human Resources Company Jönköping)

The theme generated from this answer was confirmed by Sherman (2005) who sated that true learning of entrepreneurs takes place through their practical exposure to operate a business. Same was supported by Mr. “A”, as above he said that through coaching experience in music, I have learned exactly how to start a business and how to handle different business startup hurdles.

Similarly when other interviewees were asked, did you think your learning by doing helped you to overcome different business start up hurdles. They answered as follows:

“Yes obviously… One thing, I would not say that without any experience it was impossible for me to overcome business’ start up hurdles, however I would like to say that with experience I started my business according to my expectations. No doubt with my previous employment experience I tackled all hurdles in more expertise way. It saved my time and minimized cost incurred to overcome these hurdles”.
(Qaiser Abbassi, Qaiser Garments)

Fati, Jönköping Afroshop gave an interesting answer, she thought a businessman should not be worried about business start up’ hurdles. She said:

“Hurdles, don’t worry about that. Everyone knows to start a business is not so straightforward. It’s not like your favorite dish in a plate, served to you (laughing). Main hurdle was to choose proper place for my shop, then it must be affordable. Then you need customers (obviously), you wish immediately, but it takes time. You need enough money to start and of course a helping hand in running your business. So, all these will look like a mountain, which I knew already, I had gone through these before. But I say this again and again that if you already know about a business, all these hurdles can be handled”.
(Fati, Jönköping Afroshop)

It can be induced from the above findings that participant entrepreneurs ranked experiential learning very high in overcoming different business startup hurdles among others. It has been confirmed that the subjects associated to a greater extent not only creation but also the success of a venture creation with their experiential learning.
It was validated by Kaish and Gilad (1991), Deakins and Freal (2006) who associated entrepreneurial success with learning by doing. While Krueger (2007) claimed that successful development of managerial skills takes place through job experience, which are helpful in managing the business startup hurdles. We argue by deducing that entrepreneurial skills and knowledge can be learned through job or business experience, as the subjects learnt through their past work or business experience, which they subsequently use by creating their own business.

Although participants had academic background, more or less, but they strongly believe experiential learning as the most influential and effective factor in starting a business, they were even observed overwhelming when comparing the importance of experiential learning with other modes of learning. We found emphasis on experiential learning by the entrepreneurs, reflected in their gestures, the intensity of their expression is important to note and understand in accordance with Maxwell (1997) arguments that stress and pitch are effective for our comprehension of the interview. When founder owners were asked to mention the most important factor in creating a business among education, finance and experience they expressed themselves as under:

“Experience, experience. With experience, with doing something you learn. When you are in the market, you make contacts, you socialize, you learn a lot. How to arrange money, how to find new markets etc. So I think, learning by doing is the most important factor to start a business and it comes through experience. It gives you confidence. You can make decisions on your own. Once again I would like to mention that experience gives you knowledge, you learn”. (Qaiser Abbassi, Qaiser Garments)

“After school, I would like to have degree in management. The education is important. You can learn from your teacher, colleagues, group mates. You can share ideas. After graduating I would like to expand my existing business, or maybe I start another business but before this, I need to know how to start and run large business. And I think it comes from experience. I can say, learning by doing, is no doubt is the most important factor to start a business. Also I will need money accordingly. But I am determined, I will expand this business, it’s challenging, rewarding”. (Mr. Anton, ECKS longboards Jönköping)

“Regarding education, I attended high school. I got some basic training in my field and I applied for the license to work here. Among 17 of the applicant, we were 7 who succeeded in the attempt. So education helps you that you can better manage the business but in deciding on starting my own business, it’s not the education but my previous experience. Money is also important thing to start a business. But money is not everything. Most important is that, you know how to do this. If you can do, money can be arranged. As my relatives and friends helped. But knowing something gives you confidence. You can convince others that you know, that you have experience. But experience takes time. It’s not gained all of a sudden. You have to work. You have to wait until you are satisfied that you have enough information, I mean knowledge to start your own business. I stress on information, knowledge that comes through experience”. (Fati, Jönköping Afroshop)

The theme generated from the analysis of the above findings was that experiential learning was considered the most important factor by founder-owners among finance, education and experience to start their own businesses. It is analyzed that the entrepreneurs linked the real learning with experience. This was substantiated by Sherman (2005) who asserted that
using real money with real customers and real problems i.e., learning by doing is most crucial factor that entrepreneurs utilize to start and run a business. Same was validated by Deakins and Freel (1998) who asserted that experiential learning is the most important and foremost part of entrepreneurial learning. Respondents said that experience is much important to start a business while education is crucial to run a business. As, Sherman (2005) confirmed that experiential learning also strengthens the educational experience. It means real learning takes place through experiential learning.

Our empirical findings revealed that entrepreneurs eradicated or minimized the strangeness of these businesses through their past employment experience, direct business experience or learning by doing in the form of hobby. When interviewees were asked why they started only this business, they answered as follows:

“I did a lot of hard work in my job. I came to know everything. I got the ABC of this business. By ABC mean, the basic knowledge and everything to run a business, where from I can get the garments or other stuff or products to sell? I learned how to deal with customers and about the pricing etc. I get acquaintance with the market. I was no more a stranger in the business and the market. Somewhere while doing the job, it came to mind that I should start my own business. I know everything, I have experience, …The money I can arrange.” (Qaiser Abbassi, Qaiser Garments)

“Why I should start another business? It’s not an easy job to start a business. If you don’t know about a business, you can’t start it. Important thing is the reward, the respect. If you see good return in a business then you can think of how to start. Thanks God I had years of experience in hair dressing, beauty shop as an owner and as an employee. So if you know how to work, and get familiarized with the market then you can start.” (Fati, Jönköping Afroshop)

“Actually before I started my own business of manufacturing the long boards, I used to develop long boards at my home for only hobby purpose. I had familiarized about how to assemble wheels, woods and to develop a long board. Later on, I felt that my friends were taking interest in my long boards. So, I decided to manufacture the long boards for sale out. It’s a reason that I started only this business and not any other business”. (Mr. Anton, ECKS long boards Jönköping)

The theme is generated from these answers that these entrepreneurs decided to start their presently owned business because they had familiarized with these businesses through previous job experience, direct business experience or in the form of hobby. It has been analyzed that by getting familiarity with a business, the entrepreneurs under study had acquired necessary skills which were used to create their own ventures in the same industry. It is substantiated by Harvey and Evans(1995) by calling these necessary skills as skill inventories. It has also been confirmed by Gustafsson (2004) by asserting that there is no recipe to create a venture, however skills needed to create a venture can be learned.
Summary of the themes generated regarding experiential learning from interviews of all participants is as follows:

- Experience is the most important medium of entrepreneurial learning.
- Learning by doing leads to doing by learning.
- Learning by doing eradicates the strangeness of starting and running a business.
- Entrepreneurs come to create a venture with necessary skill inventories.
- Doing by yourself give confidence to create a venture.
- Experiential learning is ranked highest among other modes of learning.
- Expectations relating to venture creation are fulfilled by experiential learning.

### 4.2.2 Vicarious Learning

Founder-owner entrepreneurs confirmed that they learned the way of doing business by looking at or observing others (e.g., their relatives and bosses), which proved helpful during the start up of their own businesses. So, when enquired, did you learn anything by observing the actions, daily routines of others, they replied as follows:

“One of my friends is in the business for the last 3 years, also my neighbors are business persons. I can say people around me also motivated me to start a business. Also I use to listen the successful entrepreneurs in different seminars, and to read their newspapers, TV and web interviews”.

(A, “X” Human Resources Company Jönköping)

“You daily saw many people, you observe how they act in different situations. I also used to notice that how my boss dealt with customers, tax office, municipality, with different business hurdles. My boss purchased garments from some European country other than Sweden. When I started my own business I also purchased garments from same market”. (Qaiser Abbassi, Qaiser Garments)

“As you explained the term observation, I think everyone look and observe others, so obviously I did. It’s not compulsory that you do everything by yourselves. If you do by yourself, it’s best. I used to see what others (businessmen, my boss, my aunty etc) are doing. What others are saying. Where I can have good suppliers? How to handle the tax matters? What are obligations regarding hiring the employees. How to register the business? How to serve better your customers? All I learnt by observing others”.

(Fati, Jönköping Aroshop)

A theme is generated from these answers that participants think they learned by observing others (e.g., their boss, relatives, friends etc.) and utilized this learning when they needed during the startup of their own business. This aspect of vicarious learning was confirmed by Holcomb et al. (2009) who claimed that by observing others’ actions, entrepreneurs reduce their uncertainty, and then use this aspect of learning to their own situation. The analysis of above extracts has confirmed that the act of observing the actions and behaviors of others by entrepreneurs under study, helped and prepared them to start their own business. Same was substantiated by Cope (2005) who recommended that in order to enter the entrepreneurship (e.g., venture creation) with fully preparation, individuals must look to outward wider environment.
The role of vicarious learning in venture creation can be observed more evidently in the case of Mr. Anton, ECKS long boards Jönköping, who is just a secondary school student, with relatively less experience but a keen observer. When we asked him, ‘Did your learning by observing others helped you to start your own business?’ He was very positive about his observation as under:

“My father started his business, when he was 16 years old. He is role model for me in business. He inspired me to start my own business. I also have relatives who have their independent businesses. We all really don’t believe in jobs. Jobs seem to me boring. With your own business, you are free to do what you think is better. You can grow, depends on your hard work. Certainly this thinking to start my own business developed by seeing to my father and relatives”. (Mr. Anton, ECKS long boards Jönköping).

This view and act of Mr. Anton to start his own business was validated by Krueger (2007) who asserted that children of successful entrepreneurs are more capable to handle business startup uncertainties in the course of creating their own businesses.

Learning by observing others has also been perceived by participants as a very helpful factor to overcome different business’ start up hurdles and subsequently in creating their own venture. Therefore, when interviewees were asked whether they learned by observing others (e.g., their bosses, relatives) helped them to overcome different business’ start up hurdles, they answered as follows:

“Yes! In business my aunty (in Holland) is role model for me. She is also running same business. What I learned by looking her, her dealing with customers, purchasing beauty products from certain markets all was useful and helped me to overcome different difficulties when I started same business in Sweden. My aunt always helped me, whenever I needed help”. (Fati, Jönköping Afroshop)

“Actually during my own business start up I applied some techniques which I learnt by looking my boss. These techniques were also helpful for me to tackle different business hurdles during the start up of my own business. I looked how my boss purchased garments with various prices and adjusted these prices for the customers”. (Qaiser Abbassi, Qaiser Garments)

The analysis of these answers revealed that the participants didn’t consider this form of learning as influential as experiential learning in venture creation. Their gestures and impressions during interview (at the time when questions were asked about vicarious learning) revealed that they weighted less importance to this aspect of learning as compare to learning by doing. These findings contradict the assertion of Kim and Miner (2007) that much of entrepreneurial learning takes place in the form of vicarious learning.

Summary of the themes generated regarding vicarious learning from interviews of all participants is as follows:

▪ Vicarious learning can be a source of motivation and aspiration.
▪ Learning by observation is second to learning by doing as a mode of entrepreneurial learning.
▪ Learning by observation is a continuous source of entrepreneurial learning.
▪ Learning by modeling the behaviour and actions of others is used as benchmarking strategy by entrepreneurs.
4.3 Heuristics and Venture Creation

In this section, the empirical findings regarding the role of heuristics in venture creation is presented and analyzed. Empirical findings show that heuristics is widely used by founder-owners as simplifying strategies for making different entrepreneurial decisions during venture creation. So, when interviewees were asked, did you think any risk or fear of loss when starting the business? They answered as follows:

"Business is full of risks, you may succeed or fail. If you start to think about risk only, you cannot decide to start your own business. As I already told you, I did not have any experience to start and run a business. But I know some people they are doing same business, they are happy. So, I think it’s a game of your mind, be positive, you can do anything, you can succeed to start your own business".
(Mr. A, “X” Human Resources Company Jönköping)

“No doubt business startup is full of risks. But don’t think too much about risks. When I was working as an employee in that industry, I hardly saw any one to face severe loss in garment business…only two persons switched off this business. Sale high or low is part of this business”.
(Qaiser Abbassi, Qaiser Garments)

“Risk is everywhere, when you put an effort or invest money, risks are there, you can lose. You should believe on your abilities, you should think, you can do. Look around, here and there. You will see a lot of people are doing businesses, not essentially the same which I am doing but may be the other businesses. I had experience of the business which I am owning now, and I have seen my aunty in Holland, a successful business owner, the same business”.  (Fati, Jönköping Afroshop)

We have found a common theme from above answers that founder owners made their decisions to start their own business because they perceived low risk associated with new venture creation. It was substantiated by Simon et al. (1999) by asserting that heuristic behaviour of entrepreneurs lead to low risk perception during new venture creation. Therefore, it is analyzed that low risk perception is positively associated with in creating a venture and is an attribute of heuristic behaviour of entrepreneurs, without which many entrepreneurial actions might not have been performed. This is in agreement with Busenitz and Barney (1997) and Manimala (1992) who asserted that without the use of cognitive heuristics as decision-making mechanism, many entrepreneurial decisions and actions cannot be carried out. Another theme is generated that these entrepreneurs even observing only few people who succeeded or failed in their businesses, decided for starting their own businesses. This heuristics behaviour of interviewees is confirmed by Simon et al.(1999) and Tversky and Kahneman(1974) that individuals think that a very small sample of information represents the whole population, and decided to create their ventures because they think that their business resembles with only few successful ones.

Participants stated that during venture creation, they didn’t have all and thorough information. When participants were asked ‘did you gather each and every information to make different decisions e.g., purchasing of different stuffs, hiring of employees, raising of funds etc. during the start up of your own business? The respondents expressed their views as under:
“Not a lot of information. I did only some plus minus in my mind to make some business decisions. For example when I went to purchase garments for my new business start up from some European market they were available in different varieties, colors, qualities and prices in garment market. I simply used my own sense to purchase those garments which I felt would attract more customers, and it did work. I think, it’s a matter of mental work, little calculations are done in mind only and you make your decisions…One thing I would like to say, right decision at right time”. (Qaiser Abbassi, Qaiser Garments)

“Each and every information? no way. I always scare of these things. These are terrible things. But it doesn’t mean I don’t think before making a decision. To reach a decision, I need to know how much money and time I am going to spend, and what is the return? But for this I used guesses which stuffs can be sold easily etc. If you go for every detail of a product, I tell you don’t start your business, you can’t do business, sorry to say. Go for some job. Believe in yourself, your effort and work. You will get it”. (Fati, Jönköping Afroshop)

While two founder owners answered as follows:

“Regarding decision making I believe in KISS. I mean Keep It Simple Stupid (sorry for inconvenience). If at the time of decision making, you want a hell of information on your table, you can’t start your business. On the other hand, I will say, it’s good to have enough information, know as much as you can, but at the time of decision making, don’t be extra careful about a lot of information, believe in yourself”. (Mr. A, “X” Human Resources Company Jönköping)

“As I told you I am secondary school student, It’s my time to enjoying, wandering with friends(laughing). I did not like to gather detail information to purchase wood, wheels and other stuffs during my business start up. I liked to remain simple at the time I purchased these things, it’s save your time. You can make decisions quickly. Otherwise I could not be able to start this business in that young age”. (Mr. Anton, ECKS long boards Jönköping)

An important theme is generated from the above identified relevant information that participants did not gather much complex information to make different entrepreneurial decisions (e.g., business location selection, hiring of employees, purchasing of different stuff, selection of a wholesale market for purchasing required stuff etc.) during venture creation. Though they had information and knowledge based on their experience and observation but they were not equipped with each and every information to make all entrepreneurial decisions during their venture creation. They used their own sense, thinking or mind to make different business start up decisions during venture creation as confirmed by Bseenitz and Barney (1997), Gustafsson (2004), Hansen and Allen (1992), Holcomb et al.(2009), Tversky and Kahneman(1973,1974). These researchers argued that under such conditions when entrepreneurs are not equipped by each and every information and uncertainty is high, they carry out some specific mental activities and unintentionally simplify the information they already have in their minds to make different entrepreneurial decisions. It means heuristic behaviour of entrepreneurs is imperative in venture creation.
Another theme is generated that time is also very important in decision-making, as entrepreneurs have to make right decision at the right time which they demonstrated during their business start up, by remaining simple in their decision-making. This was confirmed by Gustafsson (2004) that in real life a decision maker have to make many decisions under significant time pressure. While being opportunists, entrepreneurs are keen to grab profitable business opportunities. Therefore, in particular during venture creation, they have to rely on heuristics as decision making mechanism to reach appropriate decisions more quickly and efficiently.

Summary of the themes generated regarding heuristics as decision making mechanism from interviews of all participants is as follows:

- Risk perceived as low, about the outcomes of venture creation leads to high probability of creating a venture.
- The decision making rules are simplified and more focused on limited examples of success or failure stories.
- During business startup, to cope with time pressure and uncertainties entrepreneurs have to rely on heuristics as decision making mechanism.
- Without the use of heuristics as decision making mechanism many entrepreneurial decisions cannot be performed.
- During business startup, to grasp profitable business opportunities, entrepreneurs have to use heuristics as decision making mechanism.
5 Conclusion and Discussion

The conclusion of our analysis will be presented in this chapter by answering the research questions which are in line with our thesis’ purpose. Further, in this chapter the proposition of this study will be presented and discussed. At the end of this chapter limitation of this study and proposals for future studies will be presented.

5.1 Conclusion

The purpose of this thesis is to study and analyze the role of entrepreneurial learning and heuristics in venture creation. Our conclusions in relation to research questions are as under:

- What is the role of entrepreneurial learning in venture creation?

Individuals decide to create their own ventures when they have learned necessary skills, capabilities either through their direct experience or through observing/modeling the behaviors, actions and consequences of the actions of others. They also utilize these learnt skills and capabilities to overcome different business startup hurdles. Individuals also learn (by direct experience or through observing others) how to handle customers, suppliers, contractors, employees and also the financing options. Founder-owners affirmed that by using their learning (i.e., experiential or vicarious learning) they were able to create ventures, in line with their expectations.

Moreover, in venture creation or business start up, learning by doing has been considered the most important factor among education, finance and experience. Alike, entrepreneurs are comfortable to perform entrepreneurial actions by utilizing learning by modeling the behaviour and actions of others as their benchmarking strategy under their own circumstances during venture creation.

- What is the role of heuristics in venture creation?

Heuristics are simplifying decision making rules and strategies. Particularly, during business start up entrepreneurs have to make multiple decisions even if they are not fully updated about different products, specific markets or industry, customer trends, government regulations etc. So, under uncertain conditions, they have been observed as relying on heuristics which lead them to make effectual and efficient decisions during venture creation. This practice saves both their time and money and obviously the opportunity to start up a business.

Entrepreneurs also perceive hurdles as part of business’ start up and they rarely like to handle these hurdles on strict analytical bases, but tends to rely on simplifying strategies i.e., heuristics to confront these hurdles during venture creation.
5.2 Discussion

So far, we have explored as argued by Walker et al. (2008) the explicit and implicit meanings in our findings and have looked for the role of entrepreneurial learning and heuristics in venture creation. In this sub-section, we have argued for three propositions in agreement with Sutton (1997, p. 99) that ‘the quality of qualitative research can be tested whether new, interesting, and logical insights are developed or not’.

We have already synthesized the themes from four interviews by amalgamating their views and experiences to describe a typical and compound behaviour (Morse 1994) or how people act on learning and experiences. We have thus recognized relationship among learning, heuristics and venture creation in the form of three propositions which can be tested against all similar cases, in future studies, resembling theorization of Morse (1994). The propositions can be tested against different samples of entrepreneurs, which is argued as “re-contextualization” by Morse (1994).

We have identified the “minimum knowledge required” to make an entrepreneurial decision (e.g., creating a venture) as “threshold knowledge” (ThKn) in our thesis, supported by responses from interviewees in our empirical study and also by terminology or concepts derived from our literature review, such as necessary skill inventories (Harvey & Evans 1995), a unique tacit knowledge (Hatch & Dyer, 2004), appropriate entrepreneurial expertise (Mitchell et al. 2005), insufficient knowledge (Krueger, 2007), not enough knowledge, knowledge gap, scarce knowledge (Holcomb et al., 2009). We argue that the sufficient or enough knowledge has a threshold or benchmark somewhere in the entrepreneur’s cognition, which s/he compare with the existing knowledge, to get a certificate of sufficiency.

We hold that this unvoiced threshold knowledge is what entrepreneurs strive to acquire intentionally or unintentionally by experience and observations among other forms of learning. Moreover, we argue that accumulated knowledge (AcKn) is the knowledge accumulated by experiential and vicarious learning among other modes of learning. In case, if entrepreneurs can’t attain ThKn, heuristics facilitate them by biasing their accumulated knowledge or understanding to reach this threshold.

Following our empirical findings we argue that entrepreneurs under study were noticed waiting for certain period of time to gain this threshold knowledge among other variables, to create their own ventures. Our argument is supported by the view that participants avoided starting their own businesses if they hadn’t threshold knowledge, because of a big gap between their accumulated knowledge and the threshold. In this case the gap between AcKn and ThKn couldn’t be adjusted by heuristics, and lead to our third proposition that in order to use heuristics under uncertain conditions, there is also a pre-requisite of certain minimum knowledge.

We argue that the level or extent of ThKn varies, depending upon the individual entrepreneur, and is mainly controlled and adjusted by heuristics, which has been pointed out as entrepreneurial thinking affects entrepreneurial outcomes (Mitchell et al., 2007), connect the dots (Baron, 2006), heuristics as mental shortcuts (Simon et al., 1999).
We are not arguing, how the threshold knowledge is set or reset, how it develops and what factors it depends upon but we argue that it exists for potential entrepreneurs among other people. We hold that the role of learning and heuristics in venture creation, which is our thesis purpose, can be depicted pictorially in the figure 4-4, along with the following three propositions:

Proposition 1: If accumulated knowledge is higher or comparable to threshold knowledge, then the person is entrepreneurially prepared to create a venture.

Proposition 2: The level of ThKn is controlled or adjusted by the individual’s heuristics.

Proposition 3: To use heuristics under uncertain conditions, there is also certain minimum knowledge required.

Finally, we conclude our discussion and thesis as entrepreneurship (e.g., venture creation) is all about knowledge, which can be gained and developed through learning.

Figure: 4-4 Model of Threshold Knowledge to create a venture
5.3 Limitations

In this study, we carried out the qualitative research based on four interviews as the only source of empirical data. We had limited access to wider population of entrepreneurs which might have restricted our insight into the role of learning and heuristics in venture creation. The businesses under study were categorized as micro-businesses.

In term of academics, the entrepreneurs were qualified at secondary school level or undergraduate. So we couldn’t investigate how the graduates utilize their learning and heuristics in venture creation? Similarly we couldn’t investigate the role of learning and heuristics in the creation of high-tech based or high stack involved businesses.

We didn’t adapt quantitative methods which limited our ability to generalize the propositions to wider population of entrepreneurs.

Two interviewees were immigrants, so there is a possibility that they might have faced difficulty in finding a reasonable job in Sweden and eventually this failure might have led them to start their own businesses. Due to time constraints and the scope of our thesis we couldn’t extend our research to study the role of learning and heuristics among immigrant entrepreneurs.

5.4 Further Studies

For future research it would be quite helpful to study the role of other modes of learning in venture creation, and also the investigation how the effects of judgment errors associated with heuristics can be unbiased through entrepreneurial learning. It would also be interesting to study whether the use of heuristics is limited only to uncertain conditions or these are also used under normal conditions of venture creation.

It will be fruitful to study how we can help immigrants among others, by providing training to start their own businesses.

The verification of our propositions can be carried out through a triangulation of qualitative and quantitative methods in the future.
References


Appendix 1

Interview Questions

Entrepreneurial Learning

Experiential Learning

- Are you founder owner of the business?
- Why do you have this business?
- How you started this business?
- What were you doing before to start this business?
- What type of business you did before to start this business?
- Why you thought to start your own business?
- Did your past employment experience or business experience helped you to start this business?
- How your past job experience helped you to start this business?
- How your previous business experience helped you to start this business?
- What type of hurdles you faced to start this business?
- How your previous job experience or business experience helped you to tackle all these hurdles during your business start up?
- How your hobby helped you to start your own business?
- How your hobby helped you to face and tackle your business start up hurdles?
- Why you started only this business?
- What is the most important factor in your view among education, money and experience to start a business?
- Could you start your own business without any experience as you started now?
  - If yes: How?
  - If no: Why?

Vicarious Learning

- Is there any role model in the industry you are working now, or any other industry business?
- Did you learn how business and its activities are done by looking and observing your boss, your friends, relatives or any others before starting your own business?
- What type of business activities you learned by looking and observing others?
- Did this observation help you during your own business startup?
- How this observation help you during your own business startup?
- How this observation help you to face and tackle business start up hurdles?
- Did your learning by looking at others played any role in start up of your own business?
Heuristics

- How you made different business decisions (e.g., selection of business location, hiring of employees, raising funds, purchasing of different stuffs etc.) during your business start up?
- Did you have detailed information in hand while starting your own business?
- Did you gather each and every information to make different business start up decisions?
  - If yes: how?
  - If no: Why you did not do this?
- How much time or days you normally took to make different business start up decisions?
  - If too much: Why?
  - If little: Why?
- How many people around you succeeded or faced losses in their businesses?
  - If too many faced losses: then why you started your own business?
  - If only few faced losses: Did your this perception have any role to start your own business?
- Did you use strict analysis to make different business startup decisions?
  - If yes: Why?
  - If no: Why?
- What type of techniques you used to make different business’ start up decisions, simple mental work or till each and every information should be available to make decisions?
  - If you used simple mental work to make business’ start up decisions: Why?
  - If you waited till all the information should be available to make business start up decisions: Why?