

**Gordon Institute
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**Business venture selection rationale of portfolio entrepreneurs in developing
economies**

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Abstract

The role of small and medium enterprises in developing countries is growing in importance as they contribute to economic growth and employment generation (Carlsson et al., 2013). For this reason, research on entrepreneurial venture creation has received much attention to date. However, researchers have recently started to shift their attentions away from novice entrepreneurs to portfolio entrepreneurs.

The portfolio entrepreneur is of particular interest in opportunity recognition and exploitation theory as these entrepreneurs have been characterised as venture creation 'experts' due to their repeated nature of creating and managing multiple ventures simultaneously. It is believed that studying this group of entrepreneurs would provide key insights into venture development in order to advance the theory of entrepreneurship (MacMillan, 1986; Parker, 2014).

This research study subsequently aim to yield to this call as its objective is to explore the rationale of portfolio entrepreneurs in new venture selection as an addition to the entrepreneur's other ventures. Importantly, this study is performed in a developing country context as it is argued that entrepreneur behaviour is influenced by the level of institutionalism and hence new insight would be gained as the majority of portfolio entrepreneur studies have been performed in a develop economy context.

A qualitative, exploratory study was carried out to gain insights into the reasons why portfolio entrepreneurs in developing countries select new business ventures as an addition to the entrepreneurs existing ventures.

The results indicate that portfolio entrepreneurs in developing countries place high emphasis on risk mitigation and therefore commonly create new ventures that are diverse from the other ventures in the entrepreneur's portfolio. It was also established that portfolio entrepreneurs have a great need of excitement as they easily get bored with their existing ventures and subsequently engage in the new venture creation process. Other reasons for new venture selection that was identified include: serendipity and opportunism; personal expertise; family employment and the need to help others; resource orchestration for more effective operations; passion; decoupling of ventures to improve operational efficiencies; and business growth capacity limitations.

Keywords

Portfolio entrepreneurs; opportunity selection; new venture creation; developing economies.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Chapter 1: Introduction to the research problem

Entrepreneurship creates new jobs and new businesses, new ways to deliver basic services, new ways of seeing the world—it's the spark of prosperity.” – Barack Obama

The overall purpose of this research is to understand the rationale of portfolio entrepreneurs in the selection of new business ventures as additions to their business portfolios in emerging economies.

1.1 Definition of the problem and the purpose of the research

Formal small and medium enterprises (SME's) contribute on average up to 33% of gross domestic product (GDP) and produce approximately 80% of all new positions of available employment in developing economies (The World Bank, 2015).

Vast amounts of empirical studies have indicated the importance of SME's in contributing to economic growth as SME's generates employment, expand the tax base, promotes endogenous sources of growth and are drivers of innovation across countries (Bohari, Kadir, & Cheng, 2014; Carlsson et al., 2013; Katua, 2014; Timm, 2012). Furthermore, it is well established that SME's increases market competitiveness and entrepreneurship which results in external benefits on economy wide efficiency, innovation and aggregate productivity (Berends, Jelinek, Reymen, & Stultiens, 2014; Katua, 2014).

SME's are of particular importance in developing economies since these countries typically face many societal challenges such as high poverty and high unemployment rates (Fosu, 2016; Kiss, Danis, & Cavusgil, 2012; Mahadea, 2012). SMEs are thus vital to economic growth, employment generation and the reduction of poverty as it is well established that SME's are the dominant contributors to employment and they also generate the most new jobs in developing countries (Ayyagari, Beck, & Demirguc-Kunt, 2007; Ayyagari, Demirguc-Kunt, & Maksimovic, 2011, 2014; de Kok, Christi, & Essen, 2013).

A good example of the employment generation power that SME's hold, can be found in the South African economy during the period 1985 to 2005. During this period SME's

were responsible for creating 90% of all new jobs in the South African economy (Timm, 2012), which translated into SME's generating 15 times more jobs than large enterprises during the same period (Williams, 2012). Furthermore, SME's played an important role in creating economic growth in South Africa as it contributed 42% to the total GDP in 2015, an increase of 9% from 2010 (Bureau for Economic Research, 2016).

Despite the economic growth of the South African economy and employment generation due to SME's, South Africa still battles with a distressingly high national unemployment rate of 26.6% (Statistics South Africa, Quarter 2: 2016). The South African government has set out a target of creating 11 million new job opportunities by 2030 in their National Development Plan Vision for 2030 (National Planning Authority, 2010) and SME's as an economic growth and employment generation instrument would certainly be a key driver in achieving this vision.

A viable solution is thus to stimulate SME generation in developing countries to eradicate poverty by means of employment generation and subsequent economic growth. This could be achieved by stimulating novice and habitual entrepreneurial venture creation. However, MacMillan, (1986) as well as Ucbasaran, Westhead, and Wright (2001) suggest that research focus should go beyond novice entrepreneurs towards significant focus on habitual entrepreneurs. This is due to the fact that novice entrepreneurs only have a single entrepreneurial experience unlike habitual entrepreneurs who create multiple businesses over their careers. It is this multiple experience accumulation of habitual entrepreneurs that enhance their accumulation of entrepreneurship-specific human capital (Ucbasaran, Westhead, & Wright, 2008).

Furthermore, it has been established that ventures created *via* habitual entrepreneurs typically have higher survival rates than those of novice entrepreneurs due to a more extensive learning curve accumulated across multiple and often diverse ventures (Headd, 2003; Holmes & Schmitz, 1996; MacMillan, 1986). It has also been found that the consequent learning by doing over more than one venture, encourage further entrepreneurial perseverance leading to a higher venture survival rate for habitual entrepreneurs (Burke, Fitzroy, & Nolan, 2008).

It would then make sense for the scope of this research to focus on habitual entrepreneurs, as increased venture creation growth from this group of entrepreneurs have more impact on SME generation in developing economies as such ventures have a higher chance of survival (Headd, 2003; Holmes & Schmitz, 1996). However, habitual

entrepreneurs can be subdivided into two distinct classes of entrepreneurs based on ownership of the number of ventures at a time. Serial entrepreneurs launches businesses sequentially, while portfolio entrepreneurs own multiple businesses concurrently (Hall, 1995; Plehn-Dujowich, 2010). Portfolio entrepreneurs are of special interest due to their wide-ranging experience and ability to build multiple ventures simultaneously, which contributes significantly to the economy and society (Morrish, 2009).

According to Huovinen (2007), portfolio entrepreneurs may have more firm founding and closing experiences than serial entrepreneurs as portfolio entrepreneurs have owned more business ventures than serial entrepreneurs in their entrepreneurial careers. Thus, in order to make research more meaningful towards increased SME creation in developing economies, it is argued that portfolio entrepreneurs should be the main research focus as they create the most new business ventures and they also provide the most learning opportunities in the venture creation process.

Despite the growth in entrepreneurial decision making research over the last 15 years since Sarasvathy (2001) introduced the concept of effectual entrepreneurial decision making, the academic literature is still scant with regards to entrepreneurial decision making rationale in multiple venture development. The only known study today on portfolio entrepreneurs decision making rationale in multiple business development was performed by Sussie Morrish (2009). Although this sole study provides insights into the rationale that portfolio entrepreneurs use in selecting ventures as additions to their venture portfolios, the research in the field is limited since it was performed in a developed economy context.

The fact that developed economies are resource rich and developing economies are resource deficient, suggests that entrepreneurial behaviour may differ depending on resource availability. Lingelbach, De La Vina, and Asel (2005) suggest that opportunities for entrepreneurs in developing economies are more widely available than in developed markets due to the lack of resources and lack of consistency of mature markets, allowing entrepreneurs to pursue a portfolio approach to strategy that can efficiently manage the higher levels of business and market risk found in developing countries.

It is thus argued that due to the fact that entrepreneurial behaviours are different in developed and developing countries, and no known research exist on portfolio entrepreneur venture selection rationale in developing economies, there is a need to

study portfolio entrepreneurial venture selection in the context of developing economies as new insights would be gained which would contribute to the advancement of theory building in entrepreneurship.

This study thus attempts to explore the multiple venture creation behaviour of portfolio entrepreneurs in developing countries and how the process that leads to the formation of business portfolios develops. The insights gained from this study would contribute to the recognition that portfolio entrepreneurs are a viable source of gaining valuable entrepreneurial knowledge as there exist a need to explain the many different aspects that lead to their development.

Successful portfolio entrepreneurs are undoubtedly experienced business creators from which valuable insights could be drawn on the strategies to overcome many challenges faced by entrepreneurs. It is essential that researchers and business derive lessons from the vast amount of experience that portfolio entrepreneurs possess. It is thus critical that researchers and business have a deep awareness of the actions and behaviours of portfolio entrepreneurs in order to use this knowledge to provide more specific advice for nascent and novice entrepreneurs to potentially promote increased creation of portfolio entrepreneurs, increased survival rates of entrepreneurial ventures and subsequent stimulation of economic growth.

Chapter 2: Literature review

The best way to predict the future is to create it. - Peter Drucker

2.1 Introduction

The main objective of this research was to establish what decision-making rationale portfolio entrepreneurs use in selecting new business ventures as addition to their other ventures in a developing economy context. It is well established that portfolio entrepreneurs contribute significantly to economic growth and employment generation in developing countries and hence the need exists to stimulate growth of portfolio entrepreneur creation.

In view of the fact that entrepreneurial behaviour differ between resource abundant and resource scarce economies and the fact that no published research on the venture selection rationale of portfolio entrepreneurs operating in developing economies could be found, the researcher surveyed the literature available on portfolio entrepreneurs and decision-making rationales in developed economies.

The literature review would firstly define the many proposed definitions of entrepreneurship and subsequently provide the reader with background to the most recent classification of the different types of entrepreneurs that recognises the habitual entrepreneur as a major constituent. This will be followed by an in-depth review of the habitual entrepreneur as the literature is narrowed down to known insights on the portfolio entrepreneur. This section is then followed by a review of the characteristics of portfolio entrepreneurs and their business ventures before this section reviews the literature on what influences and motivates portfolio entrepreneurs to develop multiple business ventures. Effectuation as a decision-making logic is then reviewed in-depth as part of the new venture creation literature which will subsequently be connected to the literature on portfolio entrepreneur venture creation.

The following section then reviews the literature on entrepreneur behaviour in different economic environments and the effect of resource availability on entrepreneur behaviour, before the section concludes with a discussion on how this study is positioned relative to the overall literature.

2.2 Defining the term “entrepreneurship” and “entrepreneur”

Entrepreneurship research is an emerging field that have received much attention in the last few decades due to indications that entrepreneurship is essential to the functioning of market economies as they are instruments of economic change and growth; entrepreneurs expand the boundaries of economic activity due to their efficient use of available resources; entrepreneurs ability to disseminate and apply innovative ideas; and entrepreneurs willingness to take risks (Carlsson et al., 2013; Landstrom, 1999). However, despite the multitude of entrepreneurial studies, one of the main challenged faced in entrepreneurship research is defining entrepreneurship as there is still a lack of consensus on precisely what constitute entrepreneurship. In many cases, entrepreneurship definitions have either been related to the personal traits of the ‘entrepreneurial individual’, or related to the venture creation behaviours displayed by the ‘entrepreneurial individual’, which implies that defining the entrepreneur is critical to the overall definition of entrepreneurship (William Gartner, 1989; Landström, Harirchi, & Åström, 2012).

The personal trait approach to defining an entrepreneur received much attention in the early years of entrepreneurship research (Gartner, 1989). This trait approach has however attracted much critique due to the many inconsistent and vague definitions of who exactly an entrepreneur is. This lack of basic agreement of who the entrepreneur is, subsequently led to many problems in sample selection in entrepreneurial research (Gartner, 1989).

Gartner (1989) argued that the trait and personal characteristic approach to defining entrepreneurship was unfruitful and that asking “who is an entrepreneur?” is the wrong question to ask. Instead, (William Gartner, 1989) suggested that “research on the entrepreneur should focus on what the entrepreneur does and not who the entrepreneur is” (p. 57) as the “personal characteristics of entrepreneurs will neither lead us to a definition of the entrepreneur nor help us to understand the phenomena of entrepreneurship” (p. 48). Gartner (1989) suggested that the entrepreneur is a set of activities involved in organisation creation and therefore entrepreneurship is the process by which organisations are created.

Similar to the study Gartner (1989), a comprehensive study by Low and MacMillan (1988) based on the contributions and shortcomings on past entrepreneurial research between 1921 and 1985, suggested the need for an overall, common ground that will

create some unity between entrepreneurship researchers. Low and MacMillan (1988) proposed that this common ground could be a standardised definition of entrepreneurship. Low and MacMillan (1988), therefore suggested that entrepreneurship be defined as the creation of new enterprise, similar to the definition by Gartner (1989) that entrepreneurship is the creation of organisations, a view that is also supported by other entrepreneurship scholars (Schumpeter, 1935; Vesper, 1982). Acs and Audretsch (2003) build on the work of Gartner (1989) and Low & MacMillan (1988) and defined entrepreneurship similarly by suggesting that entrepreneurship constitutes creation of “all business that are new and dynamic, regardless of size or line of business, while excluding businesses that are neither new nor dynamic as well as all non-business organisations” (p. 6).

Unlike the scholars defining entrepreneurship solely on organisation creation processes, Casson (1982) argues that an entrepreneur is not only an individual who creates an organisation or enterprise, but someone who specialises in making decisions under uncertainty on the coordination of scarce resources and have the essential ability to identify and exploit opportunities.

Similarly, Hébert and Link (1989), suggest that an entrepreneur is someone that makes judgemental decisions that affect the location, the form, and the use of resources and institutions and taking responsibility for such decisions. Hébert & Link (1989) definition of entrepreneurship accommodates a range of entrepreneurial activities such as ownership, opportunity identification, resource allocation, coordination and innovation. Furthermore, Carlsson et al. (2013) suggests that this definition incorporates the main historical themes of entrepreneurship such as risk, uncertainty, innovation, perception and change.

Venkataraman (1997) continued with the concept of entrepreneurial opportunity approach in defining entrepreneurship as he suggested that venture ownership must be accompanied by the presence or at least the perception of available opportunities. Shane & Venkataraman (2000) further argued that defining an entrepreneur only by the creation of a new organisation is inaccurate and problematic as such a “definition does not include consideration of the variation in the quality of the opportunities that different people identify” (p. 218). Consequently, it is argued that the empirical support for attributes that differentiate entrepreneurs from other members of society becomes questionable without considering the influence of opportunities in defining the entrepreneur (Shane & Venkataraman, 2000).

Stevenson (2004) defined entrepreneurship more narrowly than previous entrepreneurship scholars as he suggests that entrepreneurship is the pursuit of opportunity beyond the resources that the entrepreneur currently controls.

Recently, Carlsson et al. (2013) formulated a new definition of entrepreneurship by building on the previous entrepreneurial definitions that is based upon explorative entrepreneurial activities. Carlsson et al. (2013) defines entrepreneurship as “an economic function that is carried out by individuals, entrepreneurs, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems. The entrepreneurial activity and the entrepreneurial ventures are influenced by the socioeconomic environment and result ultimately in economic growth and human welfare” (p. 914).

From reviewing the literature on what constitutes entrepreneurship, it is clear that the last two decades has seen the research focus shift from entrepreneurial traits towards entrepreneurial opportunity exploration and exploitation in attempts to define entrepreneurship. On the explorative side, research is concerned with entrepreneurial discovery of unbiased opportunities caused by external events in existing markets, the individuals involved and the types of action used to exploit the opportunities (Low & MacMillan, 1988; Shane & Venkataraman, 2000). However, on the exploitative side research are concerned with innovativeness and creativity and how entrepreneurs take advantage of subjective opportunities that are created internally by the entrepreneur (Acs & Audretsch, 2003; Acs, Audretsch, & Lehmann, 2013; Alvarez & Barney, 2010).

Both of these approaches of entrepreneurial opportunity exploration and exploitation provide useful insights into the study of entrepreneurship and hence it is this aspect of entrepreneurial opportunity that will be addressed by this study. More specifically, this study explores a specific type of entrepreneur, known as the portfolio entrepreneur. The next section reviews the existing literature on the emergence of the portfolio entrepreneur.

2.3 Types of entrepreneurs

Entrepreneurs are not necessarily a homogeneous group of individuals, even though they often share similarities in personal traits, characteristics and behaviours. Research has been performed on differentiation of types of entrepreneurs for the last six decades. Initially, descriptive categorisation based on entrepreneurial motivation received much interest (Bradon, 1977; Smith, 1967), but has subsequently received widespread critique as it appeared not to have advanced the field of entrepreneurship (Davidsson & Wiklund, 2001; Rosa & Scott, 1999). Later developments in attempts to differentiate between types of entrepreneurs received much more acclaim as it took into account the entrepreneurs' experience in new venture creation (Hall, 1995; MacMillan, 1986).

MacMillan (1986) was the first to argue that the classification of entrepreneurs in entrepreneurial studies should be focused on the role of entrepreneurial experience as entrepreneurship is not necessarily a once-off phenomenon. He classified entrepreneurs into three categories: type one entrepreneurs who successfully create and build their ventures and become executive managers of their firms, type two entrepreneurs who build successful business ventures before exiting the venture due to the business failing or by selling the successful venture and never endeavour into entrepreneurial venture creation activities again, and type three entrepreneurs who take part in repeated venture creation processes as they create more than one venture in their careers.

The entrepreneur differentiation research evolved as Hall (1995) build on MacMillan's work and introduced the concepts of nascent, novice and habitual entrepreneurs. Hall (1995) suggested that nascent entrepreneurs are individuals considering establishing a business but have not done so yet, while novice entrepreneurs are entrepreneurs that only possess one venture and who have no other venture creation experience. Hall (1995) further suggests that habitual entrepreneurs are experienced 'business generators' as they engage in repeated entrepreneurial behaviour during their careers.

An increased research focus on habitual entrepreneurs found that within this distinct group exist individuals with different predispositions to venture ownership (Carter & Ram, 2003; Hall, 1995; Westhead, Ucbasaran, & Wright, 2005; Westhead & Wright, 1998). More specifically, these two sub-groups of habitual entrepreneurs were classified as serial and portfolio entrepreneurs. Hall (1995) suggested that serial entrepreneurs are individuals who launch business ventures sequentially, while

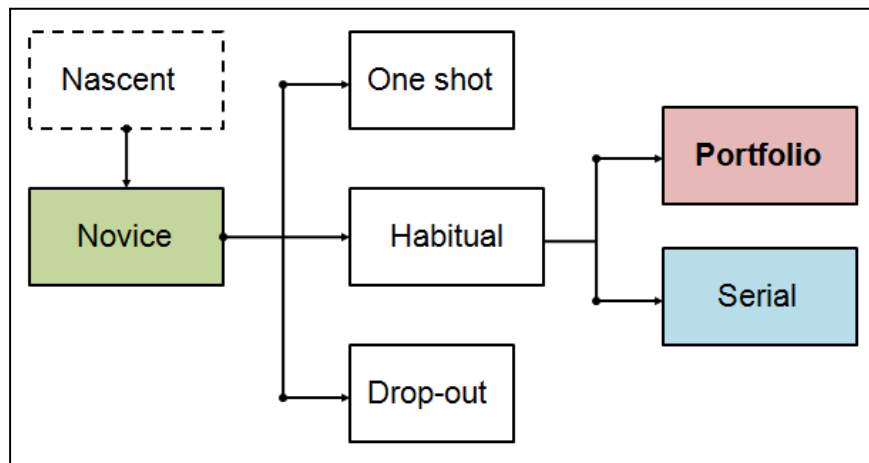
portfolio entrepreneurs are individuals who runs multiple business ventures concurrently.

Westhead and Wright (1998) largely recognised the need for tightening entrepreneur classification definitions. They argued that a definitions of the habitual entrepreneur as well as the two sub-group definitions of serial and portfolio entrepreneurs needs to be based on the propensity of multiple venture creation, but also take into account the means of entry into the venture. Westhead and Wright (1998) therefore subsequently defined habitual entrepreneurs as individuals who have established, inherited or purchased more than one business venture; serial entrepreneurs as individuals that exited a prior business venture, either by selling or by closing, but at a later point in time have purchased, established or inherited another business venture; and portfolio entrepreneurs as individuals who own more than one business venture simultaneously.

Westhead, Ucbasaran, Wright and Binks (2005) later argued that entrepreneur differentiation definitions should include ownership structure in order to tighten the definitions more. As a result, they defined novice entrepreneurs as individuals that do not possess “prior minority or majority business ownership experience either as business founder or an inheritor or a purchaser of an independent business, but who currently owns a minority or majority equity stake in an independent business” (p. 73); serial entrepreneurs as individuals “who have sold/closed a business in which they had a minority or majority equity stake in an independent business that is either new, purchased or inherited” (p. 73) and portfolio entrepreneurs as “individuals who currently have minority or majority ownership stakes in two or more independent businesses that are either new, purchased and/or inherited” (p. 73) It is this definition of portfolio entrepreneurs that is used for this research study.

From reviewing the literature on types of entrepreneurs, it is evident that the majority of novice entrepreneurs will remain as “once-off” entrepreneurs, but a significant proportion of these entrepreneurs will go on to become either serial or portfolio entrepreneurs (Alsos, Westhead, & Wright, 2008; Parker, 2014; Sarasvathy, Menon, & Kuechle, 2013). Figure 1 illustrates this classification of entrepreneur career paths.

Figure 1. Entrepreneur career paths indicating formation of novice, serial and portfolio entrepreneurs.



2.4 The habitual entrepreneur

MacMillan (1986) argued that in order to advance the field of entrepreneurship theory building, it is essential that research focus should shift from ‘once-off’ entrepreneurs toward habitual entrepreneurs. He articulated that ‘once-off’ entrepreneurs only have a single venture start up experience and hence they are not “able to develop an experience curve with respect to the problems and processes involved in starting a new business” (p. 242).

Habitual entrepreneurs in contrast to ‘once-off’ entrepreneurs have multiple business generation experience and they had opportunities to build a learning curve from difficulties and mistakes in the new venture creation process. By exploring habitual entrepreneurship, more insights could be gained on the processes and entrepreneurial behaviour that leads to successful new venture creation (MacMillan, 1986; Scott & Rosa, 1996; Shane & Venkataraman, 2000; Thorgren & Wincent, 2015; Ucbasaran et al., 2001; Westhead, Ucbasaran, & Wright, 2005).

However, it is evident from reviewing the literature that there is a lack of theory on opportunity identification and exploitation behaviour of habitual entrepreneurs still. In addition to MacMillan's (1986) highlighting of the importance of habitual entrepreneurs based on the entrepreneurial learning curve, Parker (2014) also suggests that habitual entrepreneurs should be the core focus of entrepreneurial theory building. Parker (2014) continues by providing three reasons why habitual entrepreneurs should be the

key subjects in entrepreneurial opportunity identification and recognition theory building.

Firstly, both serial and portfolio entrepreneurship are a relatively common phenomenon as between one-fifth and one-third of entrepreneurs have started more than one business in their careers, a thought also shared by many other scholars (Chatterji, 2009; Hyytinen & Ilmakunnas, 2007; Parker, 2013; Westhead & Wright, 1998).

Secondly, serial and portfolio entrepreneurs may exhibit superior economic performance than novice entrepreneurs due to the fact that serial entrepreneurs may improve on their economic performance if they have learnt from their previous venture experiences (Parker, 2013) while successful portfolio entrepreneurs run multiple, often fast growing, businesses concurrently (Westhead, Ucbasaran, Wright, & Binks, 2005), while creating substantial value to economies (Carter & Ram, 2003; Rosa & Scott, 1999).

Thirdly, because once-off entrepreneurs have received widespread research attention to date and evidence suggest that serial and portfolio entrepreneurs behave differently in opportunity recognition and exploitation processes; policy-makers and practitioners could make use of this information to target entrepreneurship support measures more effectively (Ucbasaran, Wright, & Westhead, 2003; Westhead, et al. 2005).

2.5 Who become portfolio entrepreneurs

A study performed by Westhead, et al. (2005) compared novice, serial and portfolio entrepreneurs self-reflections on opportunity identification and exploitation abilities and it was found that portfolio entrepreneurs are significantly more likely than serial and novice entrepreneurs to view themselves as experts in high quality opportunity recognition and exploitation. This study lead Parker (2014) to subsequently research if the self-reflections of these entrepreneurs are indeed valid by exploring the opportunity recognition and exploitation abilities of novice, serial and portfolio entrepreneurs.

The study by Parker (2014) confirmed that there is significant differences between the opportunity recognition and exploitation abilities of novice, serial and portfolio entrepreneurs. More specifically the study reveals that portfolio entrepreneurs on average have higher opportunity exploitation abilities than serial and novice

entrepreneurs. However, this does not necessarily mean that portfolio entrepreneurs are more productive than other types of entrepreneurs, rather that portfolio entrepreneurship become more attractive for those individuals with higher opportunity exploitation abilities due to the increased variance of payoffs compared to serial and novice entrepreneurs.

Novice entrepreneurs on average have the lowest opportunity recognition ability compared to the other two types of entrepreneurs, but their opportunity exploitation ability may vary between individuals. Parker (2014) argues that novice entrepreneurs with low opportunity recognition and low opportunity exploitation abilities are likely to remain novice entrepreneurs or close down their ventures to return to less risky career solutions such as corporate employment. Also, novice entrepreneurs with low opportunity recognition ability, but high exploitation ability would most likely remain novice entrepreneurs as these individuals are not likely to identify good business opportunities to exploit.

In contrast, novice entrepreneurs with high opportunity recognition ability and low opportunity exploitation ability are exposed to many new opportunities and these individuals are likely to eventually recognise a highly valuable opportunity that eventually dissipates due to the entrepreneurs low exploitation ability and hence these individuals become serial entrepreneurs. Furthermore, individuals that have high opportunity recognition ability as well as high opportunity exploitation ability are likely to become portfolio entrepreneurs as these individuals recognise abundant opportunities and have the means to exploit the good opportunities that arise (Parker, 2014). Figure 2 compares the opportunity recognition and exploitation abilities of novice, serial and portfolio entrepreneurs as discussed above.

Figure 2. Opportunity recognition and exploitation abilities of novice, serial and portfolio entrepreneurs.

		Recognition ability	
		Low	High
Exploitation ability	Low	Novice entrepreneur	Serial entrepreneur
	High	Novice entrepreneur	Portfolio entrepreneur

Adapted from Parker (2014).

The characterisation of serial and portfolio entrepreneurs as individuals with high opportunity identification ability are wildly consistent with observations made by other scholars such as Ucbasaran, Westhead, and Wright (2009); Westhead, et al. (2003) & Westhead, et al. (2005). For instance, Ucbasaran et al. (2009) reports that entrepreneurs who owned up to four business ventures in their careers to date, recognised more good business opportunities than those with less prior business ownership experience.

The study by Parker (2014) also revealed that entrepreneurs who has the ability to identify diversifying opportunities will be likelier to operate these opportunities simultaneously and hence become portfolio entrepreneurs. Similarly, entrepreneurs that recognise positive synergies between successive business opportunities are more likely to become portfolio entrepreneurs, unless the initial opportunity is sufficiently viable for the entrepreneur. There are thus two main drivers for portfolio entrepreneurship formation, synergies across opportunities and diversification across opportunities.

2.6 Portfolio entrepreneurs: reasons for creating multiple independent ventures

Iacobucci & Rosa (2005) suggest that portfolio entrepreneurs prefer to create new business ventures as separate legal entities rather than creating new business units within an existing business venture as the portfolio structure brings forth developmental and management advantages which would be explored below.

Firstly, the legal autonomy of the ventures allows the entrepreneur to adjust and fine-tune the marketing strategies of each entity in order to effectively exploit market niches or regionally segmented markets.

Secondly, the legal autonomy of the ventures also allows the entrepreneur to adjust the ventures relationships with its suppliers in order to yield more favourable terms to the changing needs of each venture.

Thirdly, the legal autonomy of the portfolio entrepreneurs' ventures allows the entrepreneur to better access the performance of each venture and it also allows the entrepreneur to implement performance measures specifically related to the management of each business.

Lastly, the legal autonomy of the ventures allows for other advantages such as to isolate an existing, highly innovative venture from the risk of failure or the possibility of directly raising external capital for a new venture.

It is thus evident that entrepreneurs who have a portfolio of ventures exploit many developmental and managerial advantages due to the flexibility of independently operated business ventures. The next logical question to explore is how portfolio entrepreneurs select these new independent legal business ventures in order to take advantage of the portfolio structure?

2.7 Portfolio entrepreneurship and the selection of new opportunities

From reviewing the literature on opportunity recognition and exploitation, it is evident that several factors could promote the selection into portfolio entrepreneurship. The most attention receiving researched factors to date have been entrepreneurs' selection of complimentary opportunities and the entrepreneurs' selection of diverse

opportunities. These factors also apply to the promotion of new opportunity selection and exploitation by existing portfolio entrepreneurs. These drivers will be explored in the following section.

2.7.1 Synergies across opportunities in new venture creation and selection

Ronstadt (1988) introduced the ‘corridor principal’ as a first possible explanation of the formation of business portfolios. The corridor principal states that “the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they had started their initial venture” (p. 31). It is argued that novice entrepreneurs could gain valuable knowledge, for example reliability of suppliers, identities of viable and highly profitable markets and competitive resources, during their first venture. This acquired knowledge is then used to recognise new business opportunities, related or non-related to the initial venture, and to exploit these opportunities either by exiting the first venture and solely running the new venture or by running the ventures simultaneously and becoming portfolio entrepreneurs.

The study also confirmed that the corridor principle applies beyond the second venture start-up. Ronstadt (1988) suggested that portfolio entrepreneurs often get involved in the new opportunity recognition process due to a variety of intertwined or independent reasons. These reasons may include the entrepreneurs need for new challenges and to do something different, the need to expand the business, the need to support a weakening venture in the portfolio or the realisation that business objectives have changed.

Entrepreneur path dependency is a similar concept to the corridor principal in that it proposes a means for entrepreneur portfolio expansion by the acquiring of a business venture that is directly related to another venture owned by the entrepreneur. Novice entrepreneurs with high opportunity recognition ability often select opportunities that complement the novice venture. This is also true for existing portfolio entrepreneurs in selection of subsequent ventures as additions to their business portfolios (Gruber, 2010). However, in order for portfolio entrepreneurship to occur, it is a requirement that the initial opportunity not be too valuable to the entrepreneur in that the entrepreneur continues to focus exclusively on it, even though the new opportunity may have strong synergy with the initial opportunity (Parker, 2014). Entrepreneurs thus often discover

new opportunities through the successful exploitation of a current opportunity, with these opportunities inevitably being related to each other (Alvarez & Barney, 2007; Gruber, 2010).

Another theory that relates to synergies between opportunities and the formation of portfolio entrepreneurship is resource orchestration theory. This theory is slowly emerging from the literature as the micro processes by which portfolio entrepreneurs obtain and control resources within their portfolios in order to exploit new business opportunities are under explored.

Resource orchestration theory proposes that superior firm performance and competitive advantage could be gained by the combination of resources, capabilities and managerial action within firms (Chadwick, Super, & Kwon, 2015; Sirmon, Hitt, Ireland, & Gilbert, 2011). In addition, research orchestration is vital in venture development processes and leverage venture capabilities (Wales, Patel, & Parida, 2013).

However, according to Baert, Meuleman, and Wright (2016) resource orchestration theory could also be applied to a business portfolio level, i.e. “how resources might be orchestrated across a business portfolio to develop portfolio-level capabilities and synergies when perusing opportunities” (p. 2).

The portfolio entrepreneur may create a new business venture in order to provide resources that may be of better quality, more economical or better controlled to other ventures within the business portfolio. This process of venture start-up in order to provide resources to other ventures within the entrepreneur’s portfolio leads to synergy between the new venture and the venture that is utilising the resources.

Furthermore, portfolio entrepreneurs may decide to pursue a particular opportunity due to the fact that he/she has existing resources within the business portfolio that would allow the entrepreneur to successfully exploit the opportunity. Existing human capital resources such as expertise and skills play a significant part in the entrepreneurs’ decision to exploit opportunities that lead to synergy between ventures (Baert et al., 2016; Rosa & Scott, 1999). It is argued the entrepreneurs expertise, build up by venture experience and the learning curve, provides the entrepreneur with a more positive psyche and allows the entrepreneur to exploit opportunities related to the expertise.

Decoupling of resources and venture capabilities can be linked to the exploration of new business opportunities (Baert et al., 2016). New independent venture creation by decoupling of resources and venture capabilities may be performed in order to achieve strategic objectives such as keeping ventures nimble with fast reaction times to changing business environments as well as to concentrate focus on critical processes that are essential for the sustainability of the venture. It is argued that by separating essential processes and operating these processes within independently managed entities allow these processes to be performed more efficiently as there is a narrower scope to focus on which typically enhanced process efficiency. Portfolio entrepreneurs are thus able to create and exploit synergies within the pursuit of new opportunities by orchestrating resources across ventures as well as by using the knowledge and skills obtained from entry into an initial venture.

The search for complimentary business ventures are often also initiated by entrepreneurs as they view synergetic ventures as less risky and less costly than diverse ventures, since ventures into unknown territories can absorb scarce managerial attention, while cost of knowledge attainment and incorporation into the portfolio could be generated.(Gifford, 1992; Katila & Ahuja, 2002). Rosa (1998) and Rosa & Scott, (1999) also suggest that the seizing of opportunities arising from existing activities is strongly associated with business growth.

2.7.2 Diversification of opportunities in new venture creation and selection

Alternatively to synergetic opportunity search, entrepreneurs might purposely search for opportunities which do not relate to their business ventures, in order to obtain benefits from diversification. According to Rosa (1998) unrelated business venture diversification is a relatively uncommon phenomena in portfolio entrepreneurs holding several small sized firms, and the diversification is typically less growth orientated compared to synergetic venture creation.

Serendipity and opportunism usually leads to swift action of entrepreneurs in the creation of new business ventures that are related to the entrepreneurs existing ventures (Iacobucci & Rosa, 2005; Rosa, 1998). In the case where the economic environment is less favourable for business activities, the entrepreneur usually becomes inactive in opportunity search in order to focus necessary resources on existing ventures. However, it is only when the entrepreneur's business difficulties

becomes critical to the survival of a venture that the entrepreneur pursue a strategy of unrelated diversification in order to reduce specific risk (Iacobucci & Rosa, 2005; Robson, Gallagher, & Daly, 1993; Rosa, 1998). According to Iacobucci & Rosa (2005) this process of unrelated diversification is usually carefully planned and the serendipitous process is associated with expansion and success.

The study by Rosa (1998) further established that entrepreneurs may enter into unplanned and unrelated opportunistic diversification of ventures which would allow the entrepreneur access into new markets and opportunities. It is argued that entrepreneurs are often exposed to unexpected opportunities which they then try out in order to see where the new opportunity may lead (Rosa, 1998).

Entrepreneurs may also plan and subsequently decide to enter and exploit unrelated diversified opportunities that may give them a competitive efficiency. The diversification may be performed by means of new venture creation, or by decoupling a venture into a number of independent ventures, in order to exploit new markets. However, such positive diversification by decoupling of a venture often promotes operational efficiencies such as human resource downsizing and tax management that lead to increased competitiveness (Rosa, 1998).

Another factor that may influence unrelated diversification of entrepreneurial ventures is the entrepreneur's need for excitement and a stimulating business environment. This is in particular evident among portfolio entrepreneurs as they seem to fast become bored in operating established business ventures (Parker, 2014). Rosa (1998) found that entrepreneurs may set-up 'hobby' business ventures that are specifically created to fulfil the need for excitement and stimulation as these ventures are often operated for entertainment or interest reasons.

2.7.3 Other reasons in pursuing synergetic or diversifying opportunities

Portfolio entrepreneurs have been known to at times create employment for relatives and friends (Morrish, 2008; Rosa, 1998). However, no literature exist that specifically explore the type of opportunity, whether related or unrelated to the entrepreneur's other ventures, nor the deeper motivations of the entrepreneur in pursuit of such opportunities.

Rosa (1998) also reported that entrepreneurs may create 'phantom' business ventures specifically for tactical purposes such as profit and family asset laundering activities. These newly created 'phantom' ventures are used as a legal front in order to disguise unlawful activities.

2.8 Passion and portfolio entrepreneurship

The role of emotion in organisational theories has received very little attention to date, even though many entrepreneurs' behaviours are influenced by emotion (Cardon, Zietsma, Saporito, Matherne, & Davis, 2005). Passion, an emotion that is commonly found in entrepreneurship has seen a recent increase in attention as scholars aim to understand the role of passion in entrepreneurship (Breugst, Domurath, Patzelt, & Klaukien, 2012; Murnieks, Mosakowski, & Cardon, 2014; Thorgren & Wincent, 2013).

Cardon, Wincent, and Singh (2009) defines entrepreneurial passion as a "consciously experienced and categorized feeling, invoked by engagement with activities anchored to the entrepreneur's self-identity and encoded based on effortful reflection, categorization, and integration of affective responses" (p. 526).

According to Cardon et al. (2005) entrepreneurial passion for a business venture could have positive as well as negative implications for a new venture. For instance, passion contributes positively to entrepreneur morale during difficult stages in the new venture creation process as it typically leads to high entrepreneurial enthusiasm.

Passion also contributes to increased entrepreneurial confidence in the depiction of the new venture as risks and difficulties could be overlooked due to the overwhelming passion towards the positive aspects of the venture (Cardon et al., 2005). However, this entrepreneurial confidence in the new venture could be of benefit to the entrepreneur and venture as it could persuade key resource providers to buy into the entrepreneur's vision as it is believed that the entrepreneur would work harder and that the actions would be rewarded (Gartner, Bird, & Starr, 1992). In addition, entrepreneurial passion could provide nonmonetary rewards that offset monetary rewards, particularly in the early stages of new venture operation where monetary rewards may be scarce. On the contrary, if entrepreneurial passion is not present in new venture creation, the attachment between the entrepreneur and the venture may weaken when difficulties are observed. This may result in the entrepreneur detaching

himself from the venture as he loses confidence in the new venture and return to employment or to restart the opportunity search processes (Cardon et al., 2005).

Although the link between entrepreneurship and passion has received some attention on the nascent and novice entrepreneur level, there has been limited research on the effects of passion on habitual entrepreneurship to date.

However, Thorgren and Wincent (2015) build on Vallerand's (2010) Dualistic Model of Passion (DMP) in order to investigate the differences between habitual entrepreneurs and novice entrepreneurs in terms of their passion for entrepreneurial activities. The DMP proposes two types of passion namely harmonious passion and obsessive passion. Harmonious passion toward an activity originates from autonomous internalisation in that the activity is independent of any pressure and valued as important to the entrepreneur's identity. The entrepreneur also has control over the activity as the activity is built on the entrepreneur's free will and flexibility. Obsessive passion, on the other hand originates from controlled internalisation in that event though the activity is enjoyed by the entrepreneur, pressure to engage in the activity is attached to the process and the activity controls the entrepreneur.

According to Thorgren and Wincent (2015), habitual entrepreneurs experience extra high passion for entrepreneurial activity compared to novice entrepreneurs. It is also evident that portfolio entrepreneurs have the highest harmonious passion component in comparison to serial and novice entrepreneurs. This suggests that portfolio entrepreneurs exhibit more control over the business activities than serial and novice entrepreneurs as pressures are balanced to a greater extent due to having a portfolio of ventures.

2.9 Causation and effectuation as proposed entrepreneurial theories of new venture creation

Causation and effectuation has largely emerged from the literature as two distinct proposed entrepreneurial theories, attempting to explain actions, processes, methods, cognitive frames and behaviours of entrepreneurs in selection of new business ventures (Chandler, DeTienne, McKelvie, & Mumford, 2011; Fisher, 2012; Perry, Chandler, & Markova, 2012).

The main body of entrepreneurship decision making research in the last century is based on neoclassical economic thinking that assume the actions of entrepreneurs are rational and their behaviours are that entrepreneurs incorporate deliberate goal-driven decision making processes when perusing entrepreneurial opportunities (Fisher, 2012). However, pioneering research by Sarasvathy (2001) stimulated the start of deeper insight into entrepreneurial new venture creation logic as she described the two distinct venture creation approaches of causation and effectuation.

Sarasvathy (2001) argued that entrepreneurs use effectuation reasoning and not neoclassical economic causation reasoning as traditionally believed, in new venture creation development. Evolvement of effectual research, mainly performed by Sarasvathy and her team, clearly distinguished effectual reasoning from causation reasoning (Dew, Read, Sarasvathy, & Wiltbank, 2009; Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). Causation is based on the logic of a predictable future, where entrepreneurs start with predetermined, mostly economic venture goals and then accumulate necessary resources to achieve the desired goals (Sarasvathy, Kumar, York, & Bhagavatula, 2014). In contrast, in effectuation reasoning entrepreneurs start with a generalised goal and subsequently attempt to achieve the goal using resources that are available to them at the time i.e., who they are, what they know, and who they know (Perry et al., 2012).

The effectuation literature to date have not adequately provided profound insight into these proposed new venture creation theories with regards to the habitual or expert entrepreneur, as the main body of research in the field have been focussed on novice entrepreneur venture creation processes. To the best of our knowledge, effectual entrepreneurship theory research on new venture creation by expert entrepreneurs has been very limited (Dew et al., 2009; Morrish, 2009).

Morrish (2009) suggest that portfolio entrepreneurs utilize effectuation processes at the initial and early stages of venture portfolio development and that in the later stages they tend towards more causative reasoning. This confirms the research by Dew et al. (2009) that found that habitual entrepreneurs use effectual reasoning more in the initial stage of a new venture when uncertainty and goal ambiguity are high. Morrish (2009) suggest that the underlying reason for the shift from effectual to causal reasoning may have to do with the fact that in the later stages entrepreneurs start to become familiar with their operating environments and as a result set some goals since they have gained more confidence in achieving these goals.

Morrish (2009) suggests that portfolio entrepreneurs start out their venture creation development by implementing the three basic effectuation principals of affordable loss, leveraging contingencies and to a lesser extent, forming strategic alliances and partnerships. Furthermore, portfolio entrepreneurs' strategic networks tend to get tighter as the entrepreneurs portfolios increased in size (Morrish, 2009) and expert entrepreneurs use analogical reasoning with a holistic view of business, they do not often use predictive information in decision-making, they are less concerned about expected return as they are more means driven and they are also more interested in formation of strategic alliances and partnership when creating new business ventures (Dew et al., 2009).

Affordable loss or acceptable risk heuristics as a core principal in effectual reasoning involves the consideration of various possible courses of action with unpredictable consequences. The idea is that entrepreneurs evaluate the different possible actions to their disposal in terms of what he/she can afford to lose (Dew et al., 2009). In addition, it was identified that entrepreneurs using effectuation reasoning attempt to design intelligent features that will aid them in learning from past failures (Read et al., 2009).

Dew et al. (2009) used insights from behavioural economic theory to develop an analysis of the affordable loss heuristic in nascent entrepreneurs as they commit towards becoming novice entrepreneurs. Insights gained include that affordable loss heuristics produce better results in new venture creation in operating environments that are unpredictable and environments where it is difficult to recognizable opportunities. Dew, Read, Sarasvathy, and Wiltbank (2011) suggests that affordable loss heuristic provides entrepreneurs with reasoned and systematic decision criteria without the laborious necessity of spending time, money and effort on estimating the upsides of the new venture. Interestingly, the same research provided evidence that such affordable loss heuristic perform best for entrepreneurial ventures where the entrepreneur is largely driven by non-financial motives. This correlates closely to the well-recognised theory of effectuation.

2.10 Entrepreneurship behaviours developing versus developed economies

Institutions play a critical role in building stable structures for economic activity (Meyer, 2001). Institutions include credible legal frameworks, stable political structures, strategic factor markets and developed infrastructure (Tracey & Phillips, 2011).

Developed economies are typically characterised with high levels of institutionalism, while developing economies usually have low level of institutionalism (Tracey & Phillips, 2011). Numerous scholars have reported that entrepreneurship behaviours are influenced by the level of institutionalism found in business operating environments (Khoury & Prasad, 2015; Paul & Shrivatava, 2015; Tracey & Phillips, 2011).

Tracey and Phillips (2011) suggest that “the ambiguous nature of the institutional arrangements in emerging markets has a major impact on entrepreneurship” (p. 27) and “Institutions influence behavior because deviation from the accepted institutional order is costly” (p. 27).

Phillips, Lawrence and Hardy (2000) suggest that institutions contain mechanisms that associate non-conformability with increased cost such as the increase of business risk, the requirement of more cognitive thought, and the reduction in legitimacy and access to resources that accompany legitimacy.

It is thus argued that portfolio entrepreneurs in developing countries, characterised with weak institutions, are exposed to many different challenges which would influence entrepreneurs’ behaviours to be different that portfolio entrepreneurs in developed countries with strong institutions.

2.11 Summary

Portfolio entrepreneurs are of special interest to entrepreneurship theory building on opportunity recognition and exploitation as this group of entrepreneurs are ‘entrepreneurial experts’ due to their repeated behaviour in new opportunity recognition and exploitation processes. For this reason, scholars have started to explore portfolio entrepreneurs in order to advance the theory on entrepreneurial opportunity recognition and exploitation. However, all published studies on portfolio entrepreneurship and new venture selection processes have been performed in a developed economy context where economic structures are stable and resources are available. It is thus argued that new insight into opportunity recognition and exploitation could be gained by the study of portfolio entrepreneurs in developing countries, where economic structures are weak and resources are not readily available.

Chapter 3: Research questions

Entrepreneurs that are simultaneously engaged in multiple ventures go through distinct processes that nascent, novice and serial entrepreneurs do not experience. These portfolio entrepreneurs are unique because of their repeated behaviour in new venture creation and the wealth of experience that they obtain by this repeated behaviour.

In order to advance the theory of entrepreneurship it is necessary to explore the behaviour of portfolio entrepreneurs, as well as the processes that lead to the development of business portfolios in a developing economy context, something which has not received much attention to date.

It was decided that to concentrate the focus of this study on the driving motivations that portfolio entrepreneurs use in creating new business ventures within their portfolios. The following question was examined and the responses investigated and analysed in order to achieve the research objectives.

Research question: What are portfolio entrepreneurs' rationales for new venture selection as an addition to their business portfolio in developing economies?

This question sought to understand, in a developing economy context, the reasons for the selection of new business ventures as additions to the existing businesses in the entrepreneur's business portfolio. The research question has been structured in such a way to allow the interviewee to give insight into the way they searched, found and entered opportunities that resulted in the expansion of business portfolios by new venture creation.

The insights gained from exploring this question would fill the research gap of portfolio entrepreneur reasoning in a developed economy context as this has been elusive up to know. Furthermore, the learning's obtained from this research question could promote portfolio entrepreneurship in developing countries, which has profound economic advantages for developing countries as discussed in chapter one.

Chapter 4: Research methodology

4.1 Research design

According to Bloomberg and Volpe (2012), the research approach to be selected is directly linked to the research problem and the appropriate research approach is one that best fit with the research problem.

Saunders and Lewis (2012) distinguish among three differing types of research approaches that could be used in the design of the research.

- Exploratory studies – research that provides new insights and deeper understanding of topics or where the research problem is uncertain and requires exploration.
- Descriptive studies – research that accurately describes relevant phenomena such as situations, events or persons.
- Explanatory studies – research that identifies and explains causal relationships between variables.

4.1.1 Exploratory research study

Limited existing research and theory on business venture selection reasoning of portfolio entrepreneurs, makes this study conducive to a qualitative, exploratory design approach as new insights and understanding into this phenomena is to be explored. Furthermore, such an exploratory study on the proposed topic would allow the researcher to identify contextually generated patterns of the decision making rationale of the portfolio entrepreneur (Marshall & Rossman, 2006). The exploratory research design would also allow flexibility to detect and differentiate unexpected occurrences during the research.

The research questions could also be answered by a descriptive study, but this would deny participants in the study the opportunity to express their reality openly and gaining a deeper understanding of the issue would be jeopardised. The qualitative exploratory approach would allow interviewees to answer questions in their own words and in their own contextual reality producing in-depth data for the researcher. The semi-structured

exploratory interview approach would also not limit the researcher to specific questions and the researcher can adjust his questions in order to gain deeper insights into specific responses.

4.1.2 Primary data

The research will be original as there is no secondary data available to base the research on. The exploratory research will generate primary data from the participants in the study.

4.2 Population and sampling

4.2.1 Population

Saunders and Lewis (2012) define a population as a “complete set of group members” (p. 132). According to Zikmund (2003), a population group should share a common set of characteristics. In this research, the population would be all portfolio entrepreneurs operating in emerging markets. Thus, entrepreneurs who simultaneously own minority or majority equity stakes in more than one business venture in an emerging economy.

4.2.2 Unit of analysis

The unit of analysis for this research would be the new venture selection reasoning rationale of portfolio entrepreneurs operating in emerging markets.

4.2.3 Sampling method

A sampling frame for the research population could be generated from the Companies & Intellectual Property Commission register. This register contains relevant ownership identification and could hence be used for probability sampling. However, due to the time constraint of this proposed research, a more adequate, less time intense sampling

technique would be utilized. The study would make use of purposive sampling including elements of quota sampling which is non-probability sampling techniques.

The researcher would initially use his own judgment to actively select portfolio entrepreneurs in the population. The researcher would subsequently also make use of convenience sampling and quota sampling techniques.

Convenience sampling is where sample units are selected based on ease (Saunders & Lewis, 2012) In this respect, snowball sampling which is a form of convenience sampling would be utilized as there is a high probability that the first identified portfolio entrepreneurs would be able to direct the researcher towards other portfolio entrepreneurs in the population. Furthermore, convenience sampling based on ease of access would also be combined with the purposeful sampling of units in the geographical areas of Johannesburg, Pretoria and Cape Town.

Finally, the researcher would terminate sampling when a predetermined number of sampling units have been reached that would ensure data saturation. A minimum number of 12 sample units will be used in the population of the research study. According to Saunders and Lewis (2012) this number is a likely data saturation point for homogeneous populations. However, if data saturation is not observed, then the size of the sample will be increased until saturation occurs.

4.3 Data gathering

According to Saunders and Lewis (2012), semi-structured interviews are appropriate to be used when the researcher are unsure of the answers the respondents would give; the questions are complicated; and situations where the need may arise to vary the order of the questions or the actual questions asked, in order to gain a deeper insight into the participants experiences.

The semi-structured interviews would be performed on individual level as a group interview may discourage participant honesty due to the sensitive nature of some of the questions. In addition, the interviews will be face-to-face interviews, which is more appropriate in order for the researcher to note participant's non-verbal behaviours in addition to the verbal behaviours. For these reasons, this research will be qualitative, conducted by means of semi-structured interviews.

A pilot interview and technique test would precede the actual research interview with the selected participants in order to check that the questions are likely to be understood and that they are not leading, as well as if the questions would provide the data required.

Audio recording would be made of all semi-structure qualitative interviews with the research participants. All recordings would subsequently be transcribed and word-processed into text data as interview transcripts. The interview transcripts would also contain details about the research setting as well as the interviewer's and participants non-verbal behaviour.

4.4 Data analysis

Data analysis would be performed with computer-aided qualitative data analysis software, Atlas.ti.

4.4.1 Qualitative data analysis

Saunders and Lewis (2012) suggest that qualitative data be analysed by: 1) developing categories or codes to describe the data, 2) deciding on the unit of data that is appropriate to link to the different categories, and 3) linking the categories to the units of the data. All interview transcripts would thus be read multiple times in order to identify frequently raised themes which would be used as the basis for developing the categories and codes. Once the data has been categorized or coded, the data could be analysed in a comparative nature to identify patterns of similarity and difference.

The unit of analysis would be each separately identifiable reasoning rationale for selecting a new business venture to include in the venture portfolio of the participant. Separate rationales from the same participant would be treated individually and not combined in order to ensure the specificity of the data.

4.4.2 Data quality

According to Bloomberg and Volpe (2012), research data has validity when the researcher's portrayal of the research participants' perceptions matches up. In addition, data is reliable when a repeated study of the same phenomenon produces compatible observations.

The researcher would undertake strategies to ensure enhanced validity of the data collected. This would entail that the researcher will self-reflect on any biases that he contributes to the study. The researcher's subjective perspectives and biases would be self-monitored by recording of reflective field notes throughout the research process. In addition, in order to determine the accuracy of the findings, the researcher would make use of "member checks" which entails sending the conclusions of the transcribed interviews to participants to review (Bloomberg & Volpe, 2012).

4.5 Limitations of the research approach

Qualitative, exploratory research is by its nature preliminary and needs to be followed up with more detailed quantitative research in order to provide more reliable results (Saunders & Lewis, 2012)

Since the research design would use non-probability sampling, a bias in the form that an inhomogeneous sample could be researched that is not representative of the entire population. This limitation typically occurs when the researcher would use his own judgement in selecting a purposive sample (Saunders & Lewis, 2012)

Furthermore, qualitative research uses a small number of samples and hence the validity of the results may be questionable if a data saturation point has not been reached (Saunders & Lewis, 2012).

Researcher bias could come into play since the data gathering process would involve semi-structured interviews. There is a possibility that the researcher could interpret the data in a subjective manner that reflects the perspectives of the researcher (Saunders & Lewis, 2012)

The interviewees might act in a dishonest manner as they might want to appear more superior or knowledgeable than they actually are (Saunders & Lewis, 2012).

Lastly, the researcher may introduce transcribing and translation errors which would negatively affect the validity of the research.

Chapter 5: Results

This chapter provides the research findings that were obtained from the data collection and analysis phase of the study. The chapter presents the responses of the interviewed respondents, including some interpretations and commentary. The interviews provided some valuable insight into the methodology of how portfolio entrepreneurs decide to enter into new ventures, as well as the forces that drive them to continuously expand and grow their portfolios.

The chapter includes a summary of each interviewed respondent, i.e. the ventures that are currently within their portfolio, and the industries that are represented within each portfolio. This is then followed by the results that were obtained from the interviews.

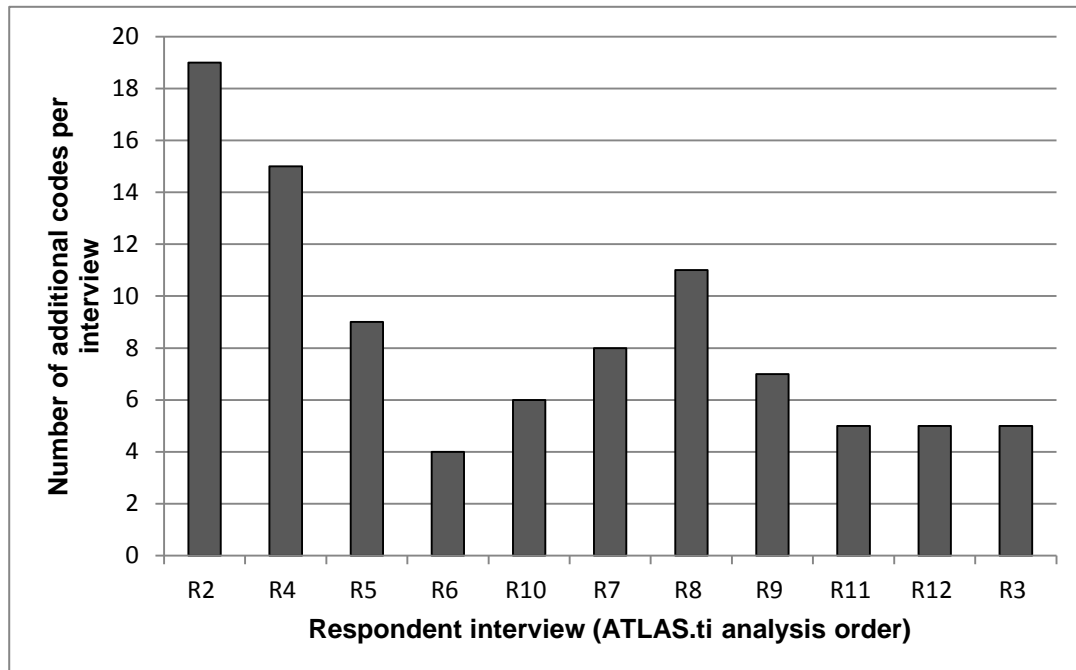
5.1 Summary and methodology of the conducted interviews

A total of 12 interviews were conducted by the researcher with portfolio entrepreneurs. The 12 respondents were interviewed over a period of a month at locations which were convenient to them, these locations varied from coffee shops to the respondents' private offices. Each interviewee signed a consent form before starting with the interview, to view a copy of the consent form please see Appendix A – Consent Form. The respondents' identities were protected by using the following naming convention for each interview, age group-race-gender-one of the respondents venture type, for example; middle aged-white-male-security.

The interviewer used an interview guideline (attached in Appendix B – Interview Schedule) to conduct the interview with each of the respondents'. This guideline assisted the interviewer to create a systematic flow of open-ended questions which resulted in interviews ranging between 45 minutes to 2 hours in length. All of the interviews were recorded with a digital voice recorder, downloaded and transcribed. These transcribed interviews, along with short-hand notes taken by the interviewer were later analysed by creating codes, families of codes and themes within ATLAS.ti, which is a qualitative data analysis computer program. The analysing process involved creating codes via an inductive process for each transcription, and in doing so the researcher kept track of the amount of new codes arising from subsequent transcriptions. From analysing the new code additions it was evident that code

saturation was achieved during coding of interview 11, as no new codes relating to new venture creation was created. These code additions per analysed transcript are depicted in Figure 3.

Figure 3. Number of additional codes added with the analysis of each interview transcript.



The code list was subsequently refined in order to merge codes of similar description, for example the code 'Linking ventures – Customer of other Venture' was merged with 'Linking ventures – Supplier of other Venture' as both codes described the same process. The initial code list contained 188 codes, and after the refining process the code list was limited to 157 codes (see refined code list in Appendix C - Refined final code list). After the coding process was completed the researcher created code families by grouping codes describing similar interests that would provide answers to the research question. The researcher subsequently identified links between the code families to create themes that would provide deeper insight into answering the research question. The results of this analysis are depicted in the sections below.

5.2 Information on the interviewed respondents

A brief description of the different venture types in each of the interviewed respondents' portfolio's is discussed below. Table 1 in Appendix D – Respondent information table, provides a summary of each respondent, including the amount of ventures in each of the portfolio entrepreneurs' current portfolios, as well as the different industries each respondent is involved in.

Respondent 1's (R1) portfolio is of a very diverse nature, as it consists of seven business ventures within six different industries. These industries include; hospitality (a guesthouse and self-catering accommodation service), mining and project management consulting, transportation/taxi services, printing and postage services, drag racing entertainment, and a water bottling retail venture. Respondent 1 has started his first legal business venture at the young age of 18 and have been a portfolio entrepreneur for the last 12 years.

Respondent 2 (R2) has business activities in two different industries and have been a portfolio entrepreneur for the last 5 years. The business ventures which respondent 2 is involved in include an insurance brokerage business and a retail business which involves the sale of watches. This respondent also has a self-serving property rental venture that only transacts within his own business portfolio.

Respondent 3 (R3) has been a portfolio entrepreneur for 8 years, and has built up a portfolio which consists of four business ventures in four different industries. These include; a coffee shop, I.T. services, retail and processing of bottled water, fruit juices and ice cream, and a child care venture. Respondent 3 previously owned a bakery which closed due to stringent economic times, and is no longer included in the respondents' portfolio.

Respondent 4's (R4) portfolio consists of four business ventures within three different industries. These industries include; manufacturing of fast moving consumer goods (FMCG), publishing as well as printing services. Respondent 4's fourth venture is a regulations compliant company which assists the printing business in obtaining tender opportunities. Respondent 4 has been a portfolio entrepreneur for 15 years.

Respondent 5 (R5) has been a portfolio entrepreneur for 4 years, and has built up a portfolio which consists of four business ventures in two different industries. These

include; a restaurant and a managed hotel in the hospitality industry and then an estate agency and a property flipping business in the property sales industry.

Two industries are represented by respondent 6 (R6), who has been a portfolio entrepreneur for 6 years. The business ventures which respondent 6 is involved in include a boutique hotel, a tourist farm and a restaurant, all of which are included in the hospitality industry. The fourth autonomous business venture involves the renting of property.

Respondent 7's (R7) portfolio consists of two business ventures within two industries. These industries include; the manufacturing of fertilizers and the manufacturing and supply of industrial packaging material. Respondent 7's ventures are all co-owned with close relatives and both ventures can be classified as family businesses. Respondent 7 has been a portfolio entrepreneur for the last 7 years.

Respondent 8 (R8) is the only interviewed portfolio entrepreneur that was known to the researcher prior to the interviews. Respondent 8 has been a portfolio entrepreneur for 18 years, and has built up a portfolio which consists of four business ventures in three different industries. Respondent 8's portfolio contains two retail ventures namely a furniture design business and a game meat retail venture. Respondent 8 further has a business consulting company and an art gallery shop which he operates with his wife.

Six industries are represented by respondent 9 (R9), who has been a portfolio entrepreneur for 19 years. The business ventures which comprise respondent 9's portfolio are a construction company, a coffee shop, a laminating service company, security systems, and a company that manufactures golf equipment.

Respondent 10's (R10) portfolio consists of four business ventures within two different industries. These ventures include and involves; construction material retail, game meat retail, marketing service retail and two ventures involved in sports events management. Respondent 10 has been a portfolio entrepreneur for the last 5 years.

Respondent 11 (R11) has been a portfolio entrepreneur for the last 3 years, and has built up a portfolio which consists of two business ventures in two industries. The business ventures in respondent 11's portfolio include; a consultancy and manufacturing of simulators for the aerospace industry venture and well as a service venture that involves vehicle driving training.

Three industries are represented in respondent 12's (R12) portfolio, who has been a portfolio entrepreneur for 12 years. The industries which are represented in respondent 12's portfolio are; security assistance for transportation of high value goods, exporting commodities, and a biscuit retail. Respondent 12 is currently seeking new opportunities within the United States of America in order to expand his business activities.

Research question one: What are portfolio entrepreneur's rationales for new venture selection as an addition to their business portfolio in developing economies?

Respondents were asked an open-ended question to explain the way they searched, found and entered opportunities that resulted in expanding their business portfolio by new venture creation. The following code families (arranged in order of commonality) were identified during coding of the data as influences in creating new ventures: serendipity and opportunism; boredom and the need for new challenges; the need for a different environment and challenges; personal expertise; resource orchestration; family employment; helping others; capacity limitations. Table 2 in Appendix E – New venture creation rationale matrix indicates a summary of the respondent's rationales for new venture creation.

5.3 Serendipity and opportunism

The interviews indicated that the majority of the respondents (11 out of 12), in their careers as portfolio entrepreneurs, had pursued opportunities that were unplanned and serendipitous. Such serendipitous opportunities were recognised by the respondents as they either come across products or services that they believed they could copy and improve; or by identifying gaps in markets and believing they can solve market problems; or by hearing about opportunities from other individuals.

5.3.1 Copy and/or improve existing products or services

Interviewed respondents indicated that they often create new business ventures by copying or improving on existing products or services. More specifically, three codes

were picked up while respondents spoke about copying or improving on existing products and services. These themes are; respondents pursued the creation of ventures which are focussed on products or services that they found interesting, respondents pursued the creation of ventures which are focussed on improved products or services which solves personal as well as market related problems, and respondents pursued the creation of ventures of already profitable products or services.

“...and I got myself onto the internet and I started...this is something I want to do because it's interesting. ...and I said, I want to do this. I came up to Jo'burg and I bought a laminating machine.” – R9

“If I see something in the market that can be improved I will go out and improvement and put a better item or a better product in the market and the oke that's got the existing product, give him a run for his money.” – R9

“I actually caught an Uber one day and I was chatting with the guy and I was asking so how much do you do a week, and he was like, yes about 9000. So I multiplied it by 4 and I started doing the numbers in my head while the guy was driving, and then I thought of that airtime that I used to sell in high school. I thought 30 bucks a week, 3 grand a week you know, 2 grand a week, why not?” – R1

Once the respondents have entered the new venture due their interest in the product or service, they often identify new opportunities as gaps in those markets. Filling these gaps in the market allows respondents to expand the new venture by supplying additional products or services to new markets.

“Took it down there and I started laminating everybody's certificates...and I thought, you know with the moisture in the air, all these okes that's building houses and that, it rains and it's moist and the plans get bugged up, I got a very thick laminate and I encapsulated all the builders plans for them. ...because nobody was willing to get a wider machine and encapsulate it. Now those guys go to the site, it can rain and everything and they can just wipe it clean and they work with cokies (whiteboard marker) on top of it.” – R9

Another point that came out of the interviews was that it seems that respondents that create new business ventures by copying or improving existing products or services do

so without much hesitation. These respondents jump straight into creating these new ventures without much deliberation or market research.

“Then I saw a Bible in the CNA in Margate, the cross was foiled and I said, but I want to do foiling. Came to Jo’burg, looked on the internet and I got a second hand foiling machine and I battled, but I wanted to do this. ...so I started doing the foiling, so I did the designing of all the business cards on the South Coast.” – R9

5.3.2 Identification and exploitation of gaps and the solving of problems

Respondents said that they created new business ventures not only to solve market problems, but to solve their own problems or to resolve their own frustrations. Solving these personal problems typically leads to the ability to solve market problems and as such new ventures are created that exploit personal as well as market opportunities.

“When I look at businesses I try and see where I’ve got a need for something which is either something that frustrates me, something that I need to get to operate, something that I can’t get or something that I’m using necessarily that’s frustrating.” – R10

“...in 2009 I was watching the news one night and the minister of transport at the time said his vision was to see all matriculants graduate with a driver’s license in the one hand and a matric exemption in the other hand. I was like the only way this can happen is if you start using driving simulators. The next day I went to work I said to the guys, guys what do you think about, let’s build our own driving simulator. Because we had the simulation, the modelling background in Aerospace.” – R11

It has also been identified that these respondents that create new business ventures to fill gaps in the market often do so by relying on their skillset, expertise and resources which aids them in identifying the opportunities.

“...or something where somebody says, I’ve got an idea but I can’t get it going, that for me is also an opportunity. But I look at something at the end of the day which compliments me as a person, which first into my strengths.” – R10

5.3.3 External influence to create new business ventures

Interviewed respondents mentioned that new business ventures were created due to the influence of business partners or external individuals. The business partner or external individual introduced the respondents to the opportunities for venture creation and subsequently managed to influence the respondents to enter into the new ventures either on their own or in partnership.

“I had met an American guy that said, listen man why don’t you put it on AirB&B, a lot of people will come. And three years ago I started more on my unit. A guy who ran a backpackers was one of our business associates with a development company and also got that idea as well. Did one unit, saw the results, from then on I never looked back.” – R5

“Then [business partner] came and said to me this thing is going to start, are you interested? I looked at the plans and looked at what it was going to look like. So I said to him, ok, what does the business plan look like, and all that stuff, which he did very well. So I said to him, ok, how much? And so then I went into it.” – R6

5.3.4 Taking advantage of unplanned new opportunities without hesitation.

Respondents also indicated that they often enter into new business ventures arising from pursuit of serendipitous opportunities without much hesitation, consultation or market research. It is the view of these respondents that they follow their instincts and if they have a good feeling about an opportunity they will pursue it.

“I don’t need certainty, if I have an idea that thing might work, I go for it, so I’m excited, what do I normally say, I’m flippin’ nervous but bloody excited. I don’t know how much stuff I’m going to have to sell and that to cover that alone, but I’ve got a gut feel that we’ll be able to sell whatever we need to sell to get to that point.” – R1

“I just sometimes go by gut feeling...” – R4

Summary

Portfolio entrepreneurs often exploit serendipitous opportunities without much deliberation or hesitation and they subsequently create new ventures by exploiting opportunities such as copying or improving existing products or services, and solving personal or market related problems. Portfolio entrepreneurs also often hear about opportunities from other individuals and then subsequently decide to pursue these opportunities without much deliberation.

5.4 The role of boredom and the need for excitement in new venture selection

The majority of respondents (9 out of 12) indicated that they select new business ventures due to boredom and the need for excitement in starting new business ventures.

“I love the start-up phase, the creative phase and then it gets boring.” – R8

It could further be gathered that the excitement of starting new business ventures is almost addictive to respondents. Respondents expressed a low tolerance for routine work or tasks and they have a need for new challenges, typically created by new venture start-up processes to avoid boredom.

“So it gets to a point where if it becomes routine then it's boring, I need to do something else, then I actually almost like on an executive level manage it.” –

R1

“...and I'm starting to make money and then I say to myself, ok, I get bored very quickly, that's my problem, and once I get bored, I'll either sell a good running concern to a person or I'll keep this business but I'll start something else, and this one just carries on. When I get bored because you know you do something, you bake cake for a month or a year, then you've had enough of baking cake because it's the same thing over and over.” – R9

The need to avoid boredom and to seek excitement in starting new business ventures as additions to existing portfolios is at times fulfilled knowing well that existing business

ventures could be more profitable if the respondent had focussed solely on the existing portfolio as indicated by a respondent.

“So I don’t make a billion out of a deal, it’s less and I believe if you stick longer and you grow it probably you’ll make more money, but it’s then not stimulating my personality set up.” – R8

Summary

From the above analysis of the respondents and the role of boredom and the need for excitement in new venture creation, there is evidence to support that portfolio entrepreneurs’ select new business ventures in order to expose themselves to new challenges as they have a low tolerance for routine tasks. It is also evident from the analysis that this addiction to seek excitement in new venture creation processes could outweigh the growth or expansion possibilities of entrepreneurs other ventures.

5.5 The need for a different business environment and challenges in new venture selection

The interviews of four respondents provided insights that the need for new business environments and challenges lead to new business venture selection that are diverse from their current portfolios.

“I’ve been in business all my life and always look for something different and unique.” – R12

5.5.1 Stimulation of creativity and cognitive agility

It is the view of these respondents that the need for change is required in order to maintain cognitive agility and generate creative thinking, both processes that are essential to their entrepreneurial being.

“It’s the act of creativity, it stimulates my brain to be in different worlds and different environments, it keeps my mind creative. So over the past ten years I had about eleven businesses, so I would say creativity is the culprit here...” – R8

“It’s very diverse but that’s the creative side of things, you identify gaps and you try to fill it with your creative skills to do things differently there.” – R8

5.5.2 Gaining new skill sets, using dormant skill sets and exploring different passions

A point that come out of the interviews is that respondents who specifically selected new ventures in different business environments from those that they are familiar with, did so in order to gain new skills or use other dormant skillsets. Furthermore, in conjunction with the need to use dormant skills in a new environment, the reason for selection of new ventures also included the need to explore different passions from what the respondents are currently exposed too.

“I was looking for opportunities, just the right one had not come around. ...basically I’d reached a point in my life where I thought if you’re going to succeed beyond what you’ve achieved you’ve got to take it to the next step. I wasn’t going to do it within my industry. I wanted something else that I could use a different skill set, a different passion, definitely was looking for something different rather than growing my existing business beyond what it had achieved.” – R2

5.5.3 New opportunities

The interviews with the respondents also indicated that new venture selection specifically chosen in an extraneous environment adds value to the respondents overall business portfolio as it contributes to the realisation of new opportunities that could be highly profitable.

“I think also as you start to go into different businesses, you realise the opportunities that lie beyond your current business, in other words you see suppliers and parties that you deal with and you can see the potential in their

businesses and how it might even be more profitable than your own. So you look for opportunities outside your own business.” – R2

Summary

From the above analysis of the respondents and the need for business environment change and new challenges, there is evidence to support that portfolio entrepreneurs select new business ventures in order to expose them to new business environments and associated challenges. It is believed that a new business environment would allow these entrepreneurs to maintain cognitive agility and stimulate creative thinking. The analysis also provided evidence that portfolio entrepreneurs enter into new business ventures that are different from their existing portfolios in order to gain new skills or to use dormant skills and passions as well as to identify new profitable business opportunities arising from the business environment change.

5.6 New venture creation and the mitigation of risk

The vast majority of the respondents (8 out of 12) indicated that they attempted to mitigate risk in new business venture creation as additions to their business portfolios. The respondents specify that they create multiple income streams that counter fluctuating economic instability by diversifying their business portfolios into different industries and markets. This allows for a more stable income stream across the portfolios that reduces financial risk of the respondents.

“ I started to focus on the sole business then and you know when things went you know, spiralled down, it was too late to recover. So it's one of those things that I've sort of inherited now, is that I'm never going to focus on one business, I really want to establish that business, make sure it's functioning and have responsible people on it while I overlook it and also venture into another thing. So in that sense I sort of kind of spread my risk factor.” – R5

“All I focus on is to generate income. My whole focus is to generate streams of income from different areas.” – R3

“Multiple businesses work for me because I have a derivative from each one, so if something happens to the one I have an income from the other. ...because nowadays in business if you put all of your eggs in one basket you have a problem. I wanted to diversify because of the business trend in South Africa, because you can have a business today and tomorrow it’s gone.” – R12

Creating multiple ventures as a means to generate independent income streams is not the only risk mitigating factor. Another risk mitigating factor that was talked about by respondents was the movement of funds as financial aid for start-up ventures. This financial aid transferred from profitable ventures to the start-up ventures allows the new venture to acquire necessary resources in order for it to become sustainable. This in turn reduces the risk of start-up failure which could be due to a lack of financial and non-financial resources.

“Yes but the core companies won’t carry the other companies, e.g. if the ice cream company wants to branch out we sit down and discuss what the next steps are. You have to look at which companies are making the profit; I always move the profit to the company that is making a loss, e.g. [anonymous] made R1million loss and it has a R2million loan owed to me which I can take back when the company starts generating a profit.” – R3

“We try to work with each company on their own, but like the IT company which is still a young company we don’t have many resources yet and we are trying to limit staff. So I needed financial support from the other companies and we discussed a loan from the other companies for the IT business to be taken to the next level, even though we are generating some money from it.” – R3

Summary

From the above analysis of the respondents and the mitigation of risk in new venture creation, there is evidence to support that portfolio entrepreneurs’ select new business ventures in order to reduce their overall business risk. Specifically, there is evidence that portfolio entrepreneurs mitigate risk by the creation of multiple income streams in diverse portfolios that act as income stabilisers, as well as by providing financial support to struggling start-up business ventures from other core ventures within the entrepreneurs’ portfolios.

5.7 Role of personal expertise in new venture selection

The majority of respondents (8 out of 12) indicated that they select new business ventures because they possess some skillset or experience in the specific venture field. One of the major points that came out of the interviews was that respondents feel that their expertise would contribute to a successful new business venture start-up.

“...but I look at something at the end of the day which complements me as a person, which fits into my strengths.” – R10

Respondents articulated that personal knowledge and skillset allows them to be more confident in successfully starting a new business venture in their field of expertise, as they feel that their personal knowledge of the new business environment and/or processes reduces the risk of venture failure.

“...low risk and then I try and keep to businesses that I've got an interest in and that I've got knowledge of. So as an example, retail, I've got knowledge of retail, I understand it and also to see how I can help other people.” – R10

It was also evident that outsourcing of skills was an area that respondents wanted to avoid and hence respondents selected ventures in their field of expertise so they could control start-up management costs.

“You see the importance of doing the same thing because you don't have to go and outsource your skills, so we've got it in-house...” – R11

A major point that was highlighted by a respondent, who acquires business ventures in one industry, is that it allows his business to grow as the firm selection is based upon his knowledge of that industry and the opening of new market segments.

“...they actually initially had different markets and that's why we bought them and they had different customer bases, so we bought them to grow our own revenue base and our customer base.” – R4

Summary

From the above analysis of the respondents and the role that personal expertise plays in new venture creation, there is evidence to support that portfolio entrepreneurs use their personal expertise and skillsets in selecting new business ventures. There is also evidence that these entrepreneurs believe that their personal expertise and skillset contribute to the success of new ventures by reducing the risk of new venture failure. Furthermore, portfolio entrepreneurs prefer to create new business ventures which would involve their expertise in order to reduce new venture operating cost by utilizing in-house skills and not having to outsource those skills.

5.8 The role of resource orchestration in new business venture selection

The interviews with the respondents indicated that the majority (7 out of 12) of the respondents used some form of resource orchestration as reason for selecting new business ventures as additions to their existing business portfolios in order to gain some form of benefit such as the control of cost and product or service quality. The links identified include; customer and supplier relationship between ventures, the establishment of regulatory compliant legal entities to assist other ventures, complimentary product/service relationship and promotion of networking between ventures, and expanding business by concentrating focus.

5.8.1 New venture creation and customer/supplier relationships

The majority of respondents interviewed indicated that they create new business ventures in order to supply or demand products and services from other ventures within the respondents' business portfolios. Linking multiple business ventures as suppliers and/or customers to each other allows respondents to mitigate cost and create more focussed ventures. The thrill and excitement of a venture start-up also contributes to the reasoning employed by the respondents in creating related customer/supplier ventures (as reported in section 5.4).

"My reason for getting it going was more because I was busy with the [anonymous] so if we set up an online store that business then becomes a customer of [anonymous] to courier stuff to clients...and the racing

merchandise, the branded merchandise sort of links to the [anonymous] because I was looking at a customer for courier and a customer for branded merchandise...and it also becomes a customer to [anonymous] for the branded merchandise.” – R1

A few respondents also participated in creating new business ventures which solely provides property rental services to other business ventures in their portfolios. It is the view of these respondents that this service set-up between ventures acts as an additional but separate income stream, which also mitigate business risk (as reported in section 5.6).

“Yes, basically we’ve got this property which sits in a separate entity... I think you’ll find that, I think it just lends itself if you’re running any business that needs space, why would you pay a landlord for the rest of your days. So rather own your own property, put it under a different entity, have a rental agreement between the entities and create capital appreciation and a rental stream as well.” – R2

5.8.2 New venture creation as regulations compliant entities

A respondent indicated that he created an independent legal entity as an addition to his core business for the sole purpose of creating a regulatory compliant venture for tender applications and when dealing with regulation-sensitive customers. According to the respondent, this arrangement would allow the core business to compete, via the new compliant venture, in markets where the core business would not have been able to due to Broad Based Black Economic Empowerment (BBBEE) tender application regulations’ in South Africa.

“I’ll comply again but I’m not going to waste my business energy on it. Because short term, everybody who does try to mould their business runs a risk long term to be in big trouble...and the reason why they’re separate legal entities is because in the one is just a licenced contract tender environment, we had to put in a partner. The main business is just purely from a product point of view. I’ll comply and I’ll make sure I’m ethically and legally fine but I don’t want a business model, I want a business model where if they change whatever they want to change it shouldn’t impact me.” – R4

5.8.3 New venture creation to complement existing ventures

Respondents explained that they created new business ventures to complement other ventures within their portfolios. Services or products supplied to existing business ventures were often insufficient or of bad quality. This resulted in respondents identifying and exploiting opportunities to improve services rendered or products supplied and consequently the respondents decided to create new business ventures to ensure quality of services and products to business ventures within their portfolios.

“I also saw an opportunity there to say but there’s definitely scope to do this better, it’s not being managed well so there’s an opportunity to take this existing product which compliments the [anonymous], make it better, it’s got a good base of businesses to expand on and it’s got scope to expand on, and it’s got scope to expand into different areas which will compliment again the trail running. So it’s a platform for the marketing of the [anonymous] as well.” – R10

Furthermore, respondents indicated that complementary ventures allow their core business ventures to expand by exposing the core ventures to new customers, typically due to enhanced networking between ventures.

“Now to get more customers there (coffee shop venture) I started [anonymous], a business to business networking (venture).” – R9

“I said to (business partner), ok now that we’ve got this client base, why don’t we start doing something in websites.” – R9

5.8.4 New venture creation to stimulate growth by focus

It is interesting to note that some respondents decided to create new business ventures in order to grow their core ventures. It is the view of these respondents that allocating specific, critical business functions to separately manage legal entities, allows focus on these functions within the individual ventures. This focus is believed to provide more efficient work processes and quality products or services.

“...to commercialise it and then from 2012 it started going up, and then in 2014, the IDC came on board, and when the [funder] came on board we said the only way we can expand properly is if we unbundle the tech, send it to another company and let that company service this company, [anonymous], focussing on franchising and selling this service...but our corporate business is bigger than when we were doing the same thing within [anonymous], because now there’s focus.” – R11

Summary

From the above analysis of the respondents and the role of resource accumulation in new venture creation, there is evidence to support that portfolio entrepreneurs’ select new business ventures in order to accumulate certain resources from other ventures within the business portfolio to promote business activities in other business ventures. It is also evident from the analysis of the respondents that this resource accumulation processes between ventures in the same portfolio could create more strategic focus in critical business activities, it could mitigate cost as resources cost and quality could be controlled, it could be used to ensure compliance and competitiveness in regulatory prone markets and lastly it could inflate venture growth by means of feeding of critical information such as client bases.

5.9 New venture creation and family employment

Creating family employment was a major topic that respondents talked about. In fact, it seems to be an almost common phenomenon as at least 8 out of 12 respondents indicated that they created new ventures in order to provide family members with employment at some stage of their careers as portfolio entrepreneurs. From the interviews at least four key themes could be identified from the discussions of family employment creation. These themes are; starting ventures until it is sustainable and handing it over to relatives to maintain, creating complementary ventures that link to the entrepreneur’s other ventures, creating ventures that complement the family member’s skillset, expertise or passion and creating ventures to support and sustain families while creating employment for future generations.

5.9.1 Starting ventures until it is sustainable and handing it over to relatives to maintain.

Throughout the interviews it was picked up that some respondents create new business ventures which they manage closely until the business is sustainable. Thereafter, respondents hand over the day to day management of the business venture to family members and reduce their involvement in the business. This employment of family members is performed as respondents shift their focus towards new venture opportunities, often due to boredom and the need for excitement in new start-up processes (as discussed in section 5.4) as well as reducing cost of employing non-family staff members.

“I noticed I’m slightly ADD almost, so I have this idea, I love it, I’ll get into it, I’ll get it going and then I need to give it somebody to run with it and for now my wife or my mom inherits this thing that they need to run with, because I don’t have enough manpower.”

5.9.2 Creating complementary ventures for family employment that links to the entrepreneur’s core ventures.

Respondents reported that at times they create new business ventures, which complement the existing business ventures, for the purpose of employing family members. These new business ventures are created to generate employment for family members as well as expanding the core business of the entrepreneur by allowing both the complementary and the core business ventures to share resources such as client bases.

“In the sense that he was in life insurance as a broker and when my brother came out of university basically he wanted to create a position for him. The type of job he was in didn’t allow for him to come into my dad’s sort of industry, so he created an entity which was a short term insurance business which was closely aligned to life insurance. It could feed off his client base, so basically he set up a business where my brother could tap into his clientele, and he setup a separate entity for my brother to run the short term business, my brother being

older than me. From there my brother and I became partners when I came out of university.” – R2

5.9.3 Creating ventures that complement the family member’s skillset, expertise or passion

Respondents often created new business ventures for the purpose of family employment based on the family member’s skillset, expertise or passion. Similarly to section 5.9.1, respondents create new business ventures which they manage along with the family member until the venture is sustainable. The respondents then reduce their involvement and allow the family members to manage the day the day operations of the venture. However, it was indicated that new ventures are specifically selected to complement existing skills, expertise or passions that the family member possesses as this expertise and passion would be valuable in sustaining the venture and also maintaining the interest of the family member.

“He (brother) also comes from a retail background, he did his own thing, he had his own business. So I knew the idea was to set it up, get it going and he can run it. So the idea was to say I wanted to establish a business, he came about you know dealing with the other entrepreneurs through [anonymous] and seeing what they do and how successful they are etc., and knowing that my brothers experience can add value to that.” – R10

“I think it's got 9 bedrooms and it's also got a restaurant, but it's a very upmarket place, so it's together with my cousins' son. He runs it, him and his wife because they studied hotel (management).” – R6

“We have an art studio which I set up for my wife, so she can stay with her ‘baby’, do that, that’s her passion as well, so I set up that business. It's not making money, but it keeps her busy, it stimulates her creative brain and she can be at home.” – R8

5.9.4 Creating ventures to support and sustain families while creating employment for future generations

A respondent that has equal share in a family owned venture noted that the creation of a new business venture as an addition to the family's core business was essential to grow the family business as the core business had reached growth capacity. This expansion by new venture creation was viewed by the respondent as necessary to support the present generation of the family, but also to generate employment for future generations in the family.

"...and then what we realised was that the packaging company would not be able to sustain 4 families, it was not going to do that. So we opened up a second company which is [anonymous] which is also wholesaler fertiliser, pesticides, seeds anything like that. ...So we've got 9 children between the 4 of us and on that basis alone we knew we needed more businesses to bring in income to you know sustain our lifestyle, and to continue to educate our children well, so that if they want to leave the country they can, or if they're one of those kids that will happily come into a family business and slot in, to have that option as well. So that was the main motivation behind opening the second company." – R7

Summary

From the above analysis of the respondents and the role of family employment in new venture creation, there is evidence to support that portfolio entrepreneurs' often select new business ventures in order to generate employment for family members. Furthermore, the analysis provides evidence that portfolio entrepreneurs often select new ventures to fit in with the skillset or passion of the family member to be employed or to be complimentary to the existing business portfolio. as the portfolio entrepreneur could keep a close eye on his new venture managed by a family member. It was also evident from the analysis that large entrepreneurial families generate employment options for future generations with the creation of new business ventures. Lastly, the analysis indicated that portfolio entrepreneurs often create and manage these 'family employment ventures' until it is sustainable before he/she moves on the next venture.

5.10 Create new business ventures to help others

From the interviews it was established that at least two respondents at some point in time created business ventures in order to help individuals either in successfully starting-up their business ventures or by generating employment for non-family member individuals. However, it is not solely for the aid of others that these new ventures are created, but other factors in combination with helping others contributed to new venture selection. The contributing factors include the excitement of exploring new markets (as reported in section 5.5), finding opportunities (as reported in section **Error! Reference source not found.**) and the thrill and excitement of the start-up process as a whole (as reported in section 5.4).

“It's the majority of the time helping people, so it is the social side, it's someone who's unemployed, or it's people who can't find a job at all, and then I help them, that process of starting and finding gaps in the market and then I get into it. Then they ask me, please take a share and stay involved.” – R8

“So it's a thrill of doing new things, yes, but it's more the thrill of finding a solution to something, either being it to help somebody find employment by filling a gap in the market by fixing something that's there that can be done better, achieving those goals, is for me more the thrill than just saying, I've opened something new. So it's the thrill of achieving almost something, helping somebody, helping myself for that matter and filling those spaces that I see that gives me the thrill and the chase.” – R10

Summary

From the above analysis of the respondents and the role of helping others in new venture creation, there is evidence to support that portfolio entrepreneurs' may select new business ventures in order to generate employment for non-family member individuals or to help others in successfully starting-up their business ventures.

5.11 Role of passion in new venture selection

Passion related to products, services, events, technology and creativity play a defining role in new venture selection for at least 5 out of the 12 respondents that were interviewed. The respondents explained that passion drives them to create and select new business ventures, because they feel that they would gain enjoyment from the new venture and as a result they would put in more energy into the newly created venture.

“The latest one also just came about in terms of my passion, started running trail running and through that I saw some opportunities to say, can I host a trail run myself?... and that for me is always a driver and also something that’s like my passion. If I can find something that’s my passion, the trail running is an example, you know that fit thing, you can’t always do that, not everybody can say they love trail running and they’ll do events or they’ll do something in trail running, it doesn’t work like that. If you can find that niche in the market and it is your passion then fantastic.” – R10

“Yes, I very much have a passion for watches and then realising when you have your initial meetings and that, that you actually have a passion and you can actually add value to the business, so yes, it definitely took on a passionate role.” – R2

Another driving factor related to passion and new venture selection, is the creativity that is involved in new business start-ups in industries or markets that the respondents are not necessarily experts in. It is the view of the respondents that entering a new environment stimulates creative thinking on how to change or disrupt the industry. This creative thinking is viewed as a passion by the respondents as it connects the respondents with processes that they enjoy.

“I think my passion is the creativity you know? To change the norm or disrupt or whatever, that drives any business I enter, but the passion game maybe more passionate about that... It plays a role, so the passion is more for creativity than the industry.” – R8

Summary

From the above analysis of the respondents and the role that passion plays in new venture selection there is evidence to support that portfolio entrepreneurs create new ventures in which they have a passion. Furthermore, it is evident that portfolio entrepreneurs believe that by combining their passions with their business activities, they would be more energised in the management of the venture as it provides them with a sense of enjoyment and stimulates their creative thinking, both of which adds value to their operations.

5.12 Create new business venture due to capacity reached with other ventures

During the interviews one of the respondents mentioned that the reason for having a portfolio of business ventures is that some ventures reach maximum capacity which limits growth. It is of the respondent's view that new business creation allows new growth opportunities, while maintaining a stable income stream from the original business venture.

“The reason why I have multiple businesses is because you have capacity and you don't need any more business for that business, so now you keep it and you sustain it and you earn.” – R12

Summary

From the above analysis of the respondents and the role of capacity constraints in new venture creation, there is evidence to support that portfolio entrepreneurs' select new business ventures in order to expand business growth, previously limited by capacity constraints.

Chapter 6: Discussion of results

6.1 Introduction

In this chapter the research findings are discussed with reference to the literature as reviewed in Chapter 2. This chapter links the insights gained from the analysed data obtained from the 12 qualitative in-depth interviews with portfolio entrepreneurs in order to answer the research question. The analyses of the interview transcripts thus allows for the establishment of evidence into the rationale of portfolio entrepreneurs in new venture selection as additions to existing ventures in the context of a developing economy perspective.

As discussed in chapter 1, it is important to understand the rationale of portfolio entrepreneurs in the selection processes of new venture creation in developing countries as it is well established that entrepreneur behaviour differ between operating environments that has high or low degrees of institutionalism.

It was evident from the analysis that each entrepreneur interviewed had distinct motivations for new venture selection and the selection was almost always influenced by numerous motivations, some stronger than others, depending on the specific situational factors that these entrepreneurs where in at the time of new venture selection.

Nine main themes emerged from the data collection and analysis phase of this inductive research study in an attempt to answer the research question. The main themes identified are: Serendipity, opportunism and new venture selection; boredom, the need for excitement, the need for change in business environment and new venture selection; the mitigation of business risk and new venture selection; personal expertise and new venture selection; resource orchestration and new venture selection; business decoupling for increased efficiencies and new venture selection; family employment, the need to help others and new venture selection; passion and new venture selection; and business growth due to capacity limitations and new venture selection. The researcher will also exploit the visible links or relationships between these entrepreneurial motivations for new venture selection as additions to existing business portfolios.

6.2 Serendipity, opportunism and new venture selection

As anticipated, opportunism and serendipity was seen by almost all respondents (11 out of 12) to have played a major role in influencing portfolio entrepreneurs into the creation of new business ventures as additions to their existing portfolios. From the analysis it was established that respondents often pursued opportunities that they become aware of by chance, by being at the right place at the right time or by hearing about it from other individuals.

This finding is in agreement with studies performed by Iacobucci and Rosa (2005) & Rosa (1998) that identified opportunism and serendipity as reasons for expert entrepreneurs to create new business ventures. The study by Iacobucci and Rosa (2005) suggest that serendipity and opportunism may lead to the entrepreneur making rapid decisions to exploit such opportunities, which is also in agreement with the findings of this study. Iacobucci and Rosa (2005) further report that entrepreneurs typically pursue serendipitous opportunities that are in a related area of activity to the entrepreneurs' existing ventures. In contrast, the analysis of the data collected in this study provides evidence that the majority of portfolio entrepreneurs diversified into unrelated business ventures on serendipitous opportunity recognition. It is thus argued that the economical context of developed versus developing countries do in fact play a role in opportunity selection of portfolio entrepreneurs.

This research study also found that portfolio entrepreneurs often pursue serendipitous opportunities when they arise without considering the full implications of such actions as they seem to trust their first instincts about the new opportunities and they also seem to pursue such opportunities by only using resources that are available to them at that particular time. It is thus evident that portfolio entrepreneurs may exhibit irrational decision making and behaviours that is in contrast to the neoclassical economical way of thinking in that portfolio entrepreneurs do not always incorporate deliberate goal-driven decision making processes.

This outcome supports the arguments of several scholars which proposed that entrepreneurs often use effectual reasoning in new venture creation development. For instance, Dew et al. (2009) eluded that "expert entrepreneurs frame decisions using effectual logic" (p. 287), whereby entrepreneurs start with a generalised goal and subsequently attempt to achieve the goal by using resources that are at their immediate disposal. Furthermore, Perry et al. (2012) suggest that such entrepreneurial goals may not be clearly envisioned at the beginning of the creation of a new business

venture and these entrepreneurs learn as they go. Dew et al. (2011) suggest that an affordable loss heuristic as described in effectuation theory perform best for ventures where the entrepreneur is largely driven by non-financial motives.

From the analysis of the data collected for purposes of this research study, it was also found that the majority of respondents (9 out of 12) had a great need for excitement, which typically led to entrepreneurial openness towards serendipitous opportunity exploitation and new venture creation. It is argued that such a need for excitement can be classified as a 'generalised, non-financial goal' and fits well with effectual decision making theory in that entrepreneurs often start with a generalised goal and then attempt to achieve the goal by using resources that are available to them at that particular time. The researcher could not find any published literature on the relationship between serendipitous opportunity exploitation and portfolio entrepreneurs' need for excitement, and hence argues that this finding of this study contributes to portfolio entrepreneur opportunity recognition and exploitation theory.

Summary

Portfolio entrepreneurs operating in developing economies often increase their portfolio size by the exploitation of serendipitous opportunities that is unrelated to the entrepreneurs' existing business portfolio. Furthermore, portfolio entrepreneurs in both developed as well as in developing economies mainly use effectual logic in new venture selection processes derived from serendipitous opportunities, as these entrepreneurs often pursue such opportunities without much deliberation and with generalised goals which they attempt to satisfy by using resources that are at their immediate disposal. In addition, portfolio entrepreneurs' need for excitement is related to the entrepreneurs' willingness to enter into a serendipitous opportunity. This link between an entrepreneurs need for excitement and pursuit of a serendipitous opportunity seems to be a strong one as the entrepreneurial need for excitement seems to be the major influencer in the pursuit of such an unplanned opportunity.

6.3 Boredom, the need for excitement and new venture selection

The vast majority of respondents (9 out of 12) indicated that they get bored fairly easily once a business venture has been successfully established and that they have a personal need for excitement. The need for excitement is usually satisfied by the process of new business ventures creation. However, it is argued that portfolio entrepreneurs' need for excitement is positively related to the need for different business environments as these new, diverse business environments provides the entrepreneur with new challenges that stimulates excitement as well as creativity within the portfolio entrepreneur. In addition, it is further argued that the portfolio entrepreneur's need for excitement is linked to opportunity pursuit involving the gain of new skills and the use of dormant skills as this would create a more cognitive stimulating and challenging business environment.

This outcome that portfolio entrepreneurs pursue new and often diverse business opportunities in order to avoid boredom and to stimulate personal excitement and creativity correlates with the findings of Parker (2014) and Rosa (1998). Parker (2014) suggest that portfolio entrepreneurs easily get bored when managing established business ventures that do not stimulate nor provide challenges to the entrepreneur.

Rosa (1998) reported similar findings in that portfolio entrepreneurs may set-up 'hobby' business ventures, in addition to their existing business ventures, that are often only operated for entertainment and interest reasons, thus satisfying the entrepreneurs need for excitement at least for a while.

Summary

Portfolio entrepreneurs often create new and diverse business ventures as they get easy bored with the management of established ventures. In order to avoid boredom, and to stimulate excitement and creativity, portfolio entrepreneurs often create new diverse business ventures that stimulates the entrepreneur's interest as new challenges usually arise which stimulates creative thinking.

6.4 The mitigation of business risk and new venture selection

The majority of respondents (8 out of 12) indicated that they specifically and purposefully created new diverse business ventures as additions to their existing business portfolios in order to spread business risk across the group of ventures. The business risk is mitigated by the creation of multiple, independent income streams usually from different industries as this would allow for more stable total income as the diversification of the individual income streams balances good and bad performing ventures over time, which in effect reduces business risk significantly compared to novice and serial entrepreneurs.

It is interesting to note that Rosa's (1998) study on habitual entrepreneurs in developed economies found that unrelated business venture diversification is an uncommon phenomena in portfolio entrepreneurship where the entrepreneurs hold multiple small sized ventures. In addition, the study by Iacobucci and Rosa (2005) revealed that portfolio entrepreneurs only pursued a strategy of unrelated venture diversification when business problems become so urgent that the entrepreneur had to diversify in order to survive.

The results from Rosa (1998) and Iacobucci and Rosa (2005) is thus in direct contrast to this research study's finding that it is a common occurrence that portfolio entrepreneurs operating in a developing economy context, purposefully select and create ventures that are diverse from their existing ventures. It is thus argued that the level of institutionalism and level of resource availability influences portfolio entrepreneurs' opportunity creation behaviour. It is thus further argued that portfolio entrepreneurs operating in less developed countries feel the need to mitigate their business risk more so than for portfolio entrepreneurs operating in developed countries. This may be due to the lack of operating environment stability in developing economy countries compared to more stable, resource abundant developed economy countries.

The results of this study also revealed that the creation of multiple diverse ventures to generate independent income streams is not the only risk mitigation factor. It is evident from this study that entrepreneurs' risk is also mitigated by the ability of portfolio entrepreneurs to move funds from established ventures to newly created ventures as needed in order to aid these new ventures in the difficult start-up phase typically characterised with many uncertainties and difficulties. This phenomenon where portfolio entrepreneurs mitigate risk by the sharing of financial aid and resources have

also been identified by Baert et al. (2016); Chadwick et al. (2015); Sirmon et al. (2011) and Wales et al. (2013) and will be discussed in detail in section 6.7. For example, Wales et al. (2013) found that the orchestration of resources between ventures to where it is most needed may result in superior firm performance and competitive advantage.

Summary

Portfolio entrepreneurs operating in a developing economy purposefully create multiple, diverse business ventures in order to mitigate business risk even under normal operating conditions. This contributes to the development of portfolio entrepreneurship opportunity recognition and exploitation theory as it was previously believed that it is uncommon for portfolio entrepreneurs to diversify into new unrelated ventures, except when their survival depends on it. Thus, the economical or institutionalism context does seem to alter portfolio entrepreneur opportunity selection behaviour, something which was not known before. In addition, portfolio entrepreneurs also mitigate business risk via the sharing and effective orchestration of financial aid and other resources toward newly created business ventures which are typically faced with many difficulties and uncertainties.

6.5 Personal expertise and new venture selection

As anticipated, it was found that portfolio entrepreneurs commonly select new business ventures based on the personal expertise or skill sets that these entrepreneurs possess (8 out of 12). The use of personal expertise and skills in creating new business ventures where these expertise and skills are critical for venture success, provide the entrepreneur with a sense of confidence that the opportunity would be successfully exploited. It was also established that such venture creation due to personal expertise and skill sets usually result in related, complimentary ventures which comprises synergies between ventures in an entrepreneur's business portfolio.

From the analysis of the data, it is also evident that most novice entrepreneurs become portfolio entrepreneurs by the creation of a second business venture that is usually related to the entrepreneur's first venture. It is thus argued that personal expertise and

skills are developed within an initial venture and due to the entrepreneur going through a learning curve in accumulating these expertise and skills opens up the entrepreneur's ability to recognise new related business opportunities which is subsequently explored.

These findings fits closely to Ronstadt's (1988) 'corridor principal' in that business portfolios are usually formed by the entrepreneurs' act of starting a venture which subsequently enables the entrepreneur to recognise other related opportunities. Furthermore, Gruber (2010) suggest that as an entrepreneur gains experience, skills and expertise by going through a learning curve in the management of an existing venture, and these learning's enables the entrepreneur to recognise new, related business opportunities which the entrepreneur would not have recognised nor take advantage of until he accumulated the knowledge and skills in their initial venture. Thus the findings confirm that entrepreneurs' portfolio formation is usually due to 'path dependence' as new opportunities are usually revealed during exploitation of other similar opportunities (Alvarez & Barney, 2007).

Rosa (1998) and Rosa and Scott (1999) also suggest that the exploitation of opportunities that arose from existing business activities are strongly associated with business growth. The results obtained from this research study correlate strongly with this suggestion that portfolio entrepreneurs pursue related ventures to their existing ventures with the focus on business growth.

Lastly, there seems to be a link between the portfolio entrepreneurs' need for business growth and the entrepreneurs' avoidance of outsourcing of skills in the venture start-up process. It is for this reason that it is argued that portfolio entrepreneurs select new, business ventures that are related to the their expertise and skills set in order for the entrepreneur to avoid the costly exercise of outsourcing critical skills required for the successful establishment and operation of new business ventures as additions to the entrepreneurs' business portfolios. This finding correlates to the findings of Gifford (1992) and Katila and Ahuja (2002) who separately proposed that entrepreneurs focussed on business expansion or growth typically avoid entering into diverse business ventures as unknown territories can absorb scarce managerial attention, while cost of knowledge attainment and incorporation into the portfolio could be generated.

Summary

Portfolio entrepreneurs engage in the pursuit of opportunities that are complimentary to the opportunities they currently exploit within their portfolio, in order to achieve business expansion and growth. This correlates closely with literature on related venture creation and suggest that the economic environment (developed versus developing economies) do not seem to play a role in entrepreneurial behaviour in the context of new venture selection in order to expand business or increase business growth.

6.6 Family employment, the need to help others and new venture selection

The majority of the respondents (8 out 12) confirmed that they had created new business ventures as additions to their existing business portfolios in order to create employment for family members. New venture creation for the purpose of employing relatives seem to be a common phenomenon among portfolio entrepreneurs operating in a developing economy context

It was further established that entrepreneur behaviour was affected by situational factors which caused entrepreneurs to behave differently depending on situational factors. For instance, the study found that portfolio entrepreneurs may: create and manage new ventures and only hand the management over to a family member once the venture is sustainable; create ventures for family employment that are related to other ventures in the entrepreneurs business portfolio in order for the entrepreneur to achieve business growth and expansion; and create ventures that compliments the family member's strengths, skills or expertise which would allow the entrepreneur to focus his energy on other ventures where his own expertise would be valuable.

Furthermore, the study also provides evidence that some portfolio entrepreneurs (2 out of 12) at times create new business ventures in order to help other non-related individuals to set-up their business ventures or by generating employment for these individuals. In the cases where the portfolio entrepreneurs' helped individuals to start their business ventures, the entrepreneurs took a majority or minority share in the business venture and typically stayed involved with the management of the venture.

It was also established that these entrepreneurs is not solely creating new ventures in order to helping relatives and other individuals, but other factors such as the need for excitement resulting from the change of business environment as well as the excitement in general associated with new business venture creation, contribute to the decision to pursue these new opportunities.

The findings of this study relating to family employment and aiding other non-related individuals in new venture creation by portfolio entrepreneurs agrees with the findings of the studies by Morrish (2008) and Rosa (1998). Both these studies were conducted on habitual entrepreneur in developed countries and both these studies found evidence of the occasional venture creation to generate employment for family members. However, Morrish (2008) and Rosa (1998) only found occasional occurrences of creating new ventures for the purpose of creating family employment, while this research study found that it seems to be a common phenomenon. It is thus argued that the reason for the more common occurrence of this phenomenon in portfolio entrepreneurs operating in developing countries is due to the fact that developing countries usually have higher unemployment levels than developed countries. This evidence thus advances the portfolio entrepreneurial theory on opportunity recognition and exploitation as it adds a new perspective on employment generation and new venture creation.

Summary

It is a common phenomenon for portfolio entrepreneurs in developing countries to create new business ventures in order to generate employment for family members and unrelated individual as well as to help unrelated individuals in creating their ventures. It has been established in literature that this phenomenon is less common in a developed country context and thus it is argued that the reason for the more common occurrence of this phenomenon in developing countries is due to the fact that developing countries usually have higher unemployment levels than developed countries and hence portfolio entrepreneurs in these countries are exposed more to opportunities to help relatives and unrelated individuals in employment generation.

6.7 Resource orchestration and new venture selection

From analysing the data collected in this study, it became evident that 7 out of 12 portfolio entrepreneurs used some form of resource orchestration as reason for new venture creation as an addition to their existing venture portfolios. The portfolio entrepreneurs used orchestration of resources between ventures in order to add value to these specific ventures. It was specifically identified that portfolio entrepreneurs use resource orchestration processes in combination with the set-up of new business ventures in order to pursue specific business goals such as creating ventures to become customers of other ventures within the portfolio in order to increase sales and subsequent bottom line of the product or service supplying venture; creating ventures to act as regulations compliant entities which allows for ventures to compete in highly regulated markets; and creating ventures to complement existing ventures in order to control product or service quality as well as manufacturing cost.

The research findings on resource orchestration and how portfolio entrepreneurs use it correlates to the findings of the study performed by Baert et al. (2016) in that resources may be orchestrated across a business portfolio in order to develop portfolio-level capabilities and synergies when pursuing opportunities. Furthermore, Chadwick et al. (2015) as well as Sirmon et al. (2011) proposed that resource orchestration between firms may result in superior firm performance and competitive advantage. Although this research finding does not prove superior performance or competitive advantage, it does provide evidence that portfolio entrepreneurs operating in a developing economy context, create new business ventures in order to better control the resource orchestration process as they believe that successful implementation would result in superior venture performance and competitive advantage.

However, the study performed by Rosa (1998) on the business cluster formation of habitual entrepreneurs operating in a developed economy context, found that a small number (3 out of 23) of entrepreneurs specifically created new ventures for the purposes of resource orchestration. More specifically, Rosa (1998) reported that these limited, newly created ventures were all financial management businesses that serviced other ventures within the entrepreneurs business portfolios and there were no indication of any new venture creation for any other resource orchestration reasons.

It can thus be strongly argued that portfolio entrepreneurs operating in resource scarce, developing economies behave different to portfolio entrepreneurs in resource rich, developed economies. It can further be argued that portfolio entrepreneurs operating in

resource scarce developing economies create more and larger variety of new business ventures in order to better control the availability and exploitation of scarce resources that are critical to the sustainability of ventures within the business portfolio.

Summary

Portfolio entrepreneurs operating in resource deficient, developing economies often create new business ventures in order to supply other ventures within the entrepreneurs' portfolio with critical resources that is believed to provide the receiving ventures with superior performance and competitive advantage. Furthermore, it appears that portfolio entrepreneurs' venture creating behaviour differ between developed and developing economies as entrepreneurs in developing economies are faced with resource availability issues and hence entrepreneurs operating in such economic environments create new ventures in order to better control resource supply, cost and quality to other ventures within the entrepreneurs business portfolio.

6.8 Passion and new venture selection

Passion related to products, services, events, technology and creativity play a defining role in new venture selection by portfolio entrepreneurs. This research suggest that passion influences portfolio entrepreneur behaviour in new venture creation processes as entrepreneurs often create ventures for which the entrepreneur are passionate about. Such decisions are made because the portfolio entrepreneurs believe that they would excerpt more positive energy in such a venture that was found based upon the entrepreneurs' passion which increased the likelihood of venture success.

The results confirm the findings of the study by Rosa (1998) which reports that portfolio entrepreneurs often create new business ventures for the sake of entertainment and interest rather than for profit.

This outcome is also in agreement with the findings of Cardon et al. (2005) which propose that entrepreneurial passion for a particular new business venture could have positive implications for the business venture in that it positively contribute to the elevation of the entrepreneurs morale during difficult stages in the venture start-up process. This elevation of the entrepreneurs' morale usually leads to high

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entrepreneurial enthusiasm which could increase the likelihood of new venture start-up success (Gartner et al., 1992).

The results also indicate a strong relationship between entrepreneurial passion, the excitement of new venture start-up and the creation of new business ventures in addition to the entrepreneurs' existing ventures. The excitement of new venture start-up's, particularly in pursuing opportunities that are diverse from the entrepreneurs existing business ventures seem to be responsible in stimulating entrepreneurs creative thinking abilities. This creative thinking is considered a passion by certain portfolio entrepreneurs.

This finding that passion is linked to the excitement of new venture creation processes compare well with the findings of Gartner et al. (1992) which suggest that entrepreneurial passion could provide nonmonetary rewards that offset monetary rewards, particularly in the early stages of new venture operation where monetary rewards may be scarce.

Summary

Portfolio entrepreneurs often pursue opportunities that are related to their personal passions as they believe their chances of business success would be higher, while other portfolio entrepreneurs seem to create new business ventures for the sole purpose of entertainment and interest. It is argued that there is a link between entrepreneurial passion and the excitement of new venture start-up processes.

6.9 Decoupling of ventures and new venture creation

It is evident from the analysis of the data that entrepreneurs may decouple business ventures into separate legal entities as a business growth strategy. It was particularly evident from this research that portfolio entrepreneurs may decouple business ventures to specifically enhance the growth of the businesses by independent focus.

This new independent venture creation by decoupling of ventures may be performed in order to achieve strategic objectives such as keeping ventures nimble with fast reaction times to changing business environments as well as to concentrate focus on critical

processes that are essential for the sustainability of the venture. It is argued that by separating essential processes and operating these processes within independently managed entities allow these processes to be performed more efficiently as there is a narrower scope to focus on which typically enhanced process efficiency.

Rosa (1998) also found that decoupling of ventures was an option used by portfolio entrepreneurs in attempts to grow the business. According to Rosa (1998), the decoupling of a business venture may result in the creation of operational efficiencies such a tax management and downsizing of the number of employees.

Summary

Portfolio entrepreneurs operating in both developing and developed economies often decouple business ventures in order create operational efficiencies that can be exploited due to smaller firms size, tax management and the focus of resources on critical business venture tasks.

6.10 Business growth capacity limitations and new venture selection

Portfolio entrepreneurs may decide to create a new business venture due to other ventures in the portfolio having reached their maximum capacity, which denies the ventures any real growth. In order to counteract this lack of growth, portfolio entrepreneurs often pursue new opportunities that are diverse form the growth stagnant ventures as new markets could be exploited.

No literature could be found that confirms this phenomenon, thus it might be plausible that a new reason for new business venture selection in addition to existing ventures were identified. It is argued that the economic environmental context should not be an influencer here as business ventures could similarly reach growth limitations in both developed and developing economies.

Summary

Portfolio entrepreneurs with a strategic focus on business growth may pursue new business venture creation in order to exploit opportunities that would allow business growth if ventures within their portfolios have reached maximum growth capacity.

6.11 Chapter summary

From reviewing the literature and the research findings of this study, it was evident that portfolio entrepreneurs has no one reason for creating new business ventures as additions to their current portfolios as the rationale seem to be entrepreneurial situation dependent and usually consist out of combinations of reasons, some more highly valued than others. However, this study identified 9 themes that relates to new venture creation by portfolio entrepreneurs. These themes are rank according to commonality as found in this research study and consist of: serendipity and opportunism; boredom and the need for excitement; mitigation of business risk; personal expertise; family employment and helping others; resource orchestration; passion; decoupling of ventures, and business growth capacity limitations.

This research study made several new discoveries in the rationale that portfolio entrepreneurs use in selection of new business ventures as additions to their existing portfolios. These new discoveries will be represented in Chapter 7 with the rest of the conclusions from the results and discussion chapters.

Chapter 7: Conclusion

This chapter answers the research question by analysing the results of the qualitative interviews with an inductive approach as presented in the chapter 5 and combines the findings of this research study with the literature review in line with the study's main objectives. The main objectives of this research were to establish what decision-making rationale portfolio entrepreneurs use in selecting new business ventures as addition to their other ventures in a developing economy context in order to advance the theory building on entrepreneurship opportunity recognition and exploitation.

This chapter would also include the research's implications for stakeholders namely novice, serial and portfolio entrepreneurs as well as policymakers that may directly or indirectly have an influence in the creation of suitable economic environments that are attractive towards entrepreneurship growth.

This chapter would then conclude with the limitations to the research projects as well as the researcher's suggestions for future research.

7.1 Principal findings

Research question: What are portfolio entrepreneurs' rationales for new venture selection as an addition to their business portfolio in developing economies?

The conclusion reached is that there are nine main reasons why portfolio entrepreneurs in developing economies create new business ventures in addition to their existing ventures. These are serendipity and opportunism; boredom and the need for excitement; mitigation of business risk; personal expertise; family employment and helping others; resource orchestration; passion; decoupling of ventures, and business growth capacity limitations. It was found that serendipity and opportunism, boredom and the need for excitement as well as the mitigation of business risk were the major contributors to portfolio entrepreneurs new venture creation processes and will receive more attention below.

Almost all of the portfolio entrepreneurs interviewed in this study cited that they commonly pursued business opportunities which they did not actively searched for, in addition to having an already existing portfolio of ventures. It is evident that these

portfolio entrepreneurs trust their ability to make good opportunity judgements, even when they opportunities reveal themselves as unanticipated. The portfolio entrepreneurs entered into such unanticipated opportunities without much hesitation as they tend to use effectual reasoning in new venture creation processes.

Closely related to exploiting serendipitous opportunities, portfolio entrepreneurs have a deep need for excitement as they easily become bored of their existing business environments (Iacobucci & Rosa, 2005; Parker, 2014). This study revealed that need for excitement and change results in the portfolio entrepreneur to actively and inactively search for new venture opportunities to exploit in addition to maintaining their original portfolio of business ventures, which was also confirmed by Rosa, (1998). It further appears that this boredom and the need for excitement can by itself motivate a portfolio entrepreneur to pursue new opportunities in order to satisfy this need. However, it was also found that this desire for excitement typically in conjunction with opportunism leads to new business venture creation.

It was found by reviewing the results of this study and the literature on this topic, that similarities and differences exist in portfolio entrepreneur behaviour in developed versus developing economies. The following differences were observed and are followed by the researcher's interpretation:

- It appears that portfolio entrepreneurs in developing economies put a much higher emphasis on risk mitigation in their portfolios as they tend to commonly select ventures from opportunism or active search that are diverse from the entrepreneurs other venture(s) in order to create a more balanced income stream which in turn lowers their business risk. This is in contrast to what is reported in the literature on portfolio entrepreneurs in developed economies as in such developed economic environments the entrepreneurs seem to focus more on business growth which they achieve by selecting complimentary, related ventures (Gruber, 2010; Iacobucci & Rosa, 2005; Rosa, 1998). It is argued that portfolio entrepreneurs operating in less developed countries feel the need to mitigate their business risk more so than for portfolio entrepreneurs operating in developed countries. This may be due to the lack of operating environment stability in developing economy countries compared to more stable, resource abundant developed economy countries.
- It is also evident that it is common for portfolio entrepreneurs in developing economies to create new business ventures to generate employment for family

members, a phenomenon which is also observed in developed economies, but to a much lesser extent. It is argued that the reason for this phenomenon is that individuals in developing economies are usually exposed to high unemployment levels and as a result portfolio entrepreneurs in these countries have a means to help family members to gain an income.

- It is common for portfolio entrepreneurs in developing countries to create new business ventures in addition to the entrepreneurs original ventures specifically to provide other ventures within the portfolio with critical resources needed that would promote operational efficiencies and competitive advantage. It appears that this phenomenon occurs in order to better control the availability and exploitation of scarce resources that are critical to the sustainability of ventures within the business portfolio. This phenomenon is also observed in portfolio entrepreneurs, but it seems to be a relatively uncommon occurrence (Rosa, 1998).

7.2 Implications for stakeholders

The insights gained from this study would contribute to the recognition that portfolio entrepreneurs are a viable source of gaining valuable entrepreneurial knowledge as there exist a need to explain the many different aspects that lead to their development. Successful portfolio entrepreneurs are undoubtedly experienced business creators from which valuable insights could be drawn on the strategies to overcome many challenges faced by entrepreneurs. It is essential that researchers and business derive lessons from the vast amount of experience that portfolio entrepreneurs possess.

The insights and knowledge gained by this research study should provide more specific advice for nascent and novice entrepreneurs to potentially promote increased creation of portfolio entrepreneurs, increased survival rates of entrepreneurial ventures and subsequent stimulation of economic growth.

Furthermore, the insight and knowledge gained from this research study should create a deeper understanding of the portfolio entrepreneurial drivers for new venture creation and its advantages. Policymakers could use these insights in creating economic environments where entrepreneurship could prosper, thus indirectly creating economic

value such as decreasing unemployment and increasing economic growth (Bohari et al., 2014; Carlsson et al., 2013) .

7.3 Limitations to the research

7.3.1 Researcher bias

The nature of the study was explorative research which is subjective to researcher own interpretations and perspectives which could contribute to potential biases (Creswell, 2014; Saunders & Lewis, 2012).

7.3.2 Sampling bias

Since the researcher used non-probability, purposeful sampling, biases could have been created in the form that an inhomogeneous sample could have been researched that is not representative of the entire population of portfolio entrepreneurs (Saunders & Lewis, 2012). The limitation holds in that the research was only conducted on portfolio entrepreneurs in a single developing country, namely South Africa and results could be biased as portfolio entrepreneurs in other developing countries was not included in the sample.

7.4 Suggestions for future research

At the conclusion of this research study, many areas emerged which require further investigation. These include:

- The analysis of the data obtained from the portfolio entrepreneurs in this study suggests that there may be a link between an entrepreneur's need for excitement (section 6.3) and the pursuit of serendipitous opportunities (6.2). Further empirical research is suggested to explore if the link exist in an equal degree in developed and developing countries and what factors may could potentially influence the degree of the relationship.

- The research study only investigated portfolio entrepreneurs operating in one developing country, namely South Africa. It is suggested that this research is expanded to include various other developing countries in order to reduce such sampling bias.
- Both developed and developing countries provide evidence that portfolio entrepreneurs set-up business ventures in order to generate employment for family members and other non-related individuals. It is suggested that a study could be performed to determine the extent of the differences in such employment generation by portfolio entrepreneurs from developed and developing countries.

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Appendix A – Consent Form

Gordon Institute of Business Science

University of Pretoria

Consent Form

I am conducting research on portfolio entrepreneurs' new business venture selection rationale in emerging economies. Our interview is expected to last about an hour, and will help us understand how portfolio entrepreneurs select new business ventures as additions to their portfolios. Your participation is voluntary and you can withdraw at any time without reason or penalty. All data obtained from the interview will be reported without identifiers. If you have any concerns, please contact my supervisor or me. Our details are provided below.

Researcher Name: Arnoux van der Westhuizen

Research Supervisor Name: Dr. Kerrin Myres

Email: xxx-xxx

Email: xxx-xxx

Phone: xxx-xxx

Phone: xxx-xxx

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

Appendix B – Interview Schedule

Interview Schedule / Protocol

Rationale of portfolio entrepreneurs in selecting new business ventures in developing economies.

Script before interview commences:

- *Thank you for taking time out of your schedule to be part of my research project.*
- *Your time and contribution are extremely valuable to me and to the research field.*
- Hand consent form to participant and explain the form before asking the participant to sign the consent form.
- Share details of the study with the participant such as that *I am conducting this research to find out what rationale portfolio entrepreneurs use when selecting ventures to add to their portfolios.*
- Explain to the participant why I am researching this topic. *I need to perform a successful research project to qualify to graduate for a MBA degree and I am personally interested learning from remarkable entrepreneurs such as yourself.* Explain your personal background to enhance openness and create a relaxing atmosphere by building rapport.
- *Before we start, let me tell you a bit about myself....*
- *As per the consent form, I want to remind you again that all data collected by this interview would be kept confidential. Also, would it be ok with you if I audio record our interview?*

Semi-structured interview questions and probes

The main questions the researcher would ask and probe for in order to collect data to find out what reasoning portfolio entrepreneurs use to select new business ventures are as follows:

Note: as the data would be gathered by means of qualitative semi-structured interviews, question order may change during interview process.

- Question 1: Tell me about yourself and your background
 - Probe
 - Entrepreneurship and family history
 - Education

- Why become an entrepreneur?
- Question 2: Could you tell me about your current business portfolio?
 - Probes:
 - Number of ventures
 - Degree of involvement
 - Diversity of ventures
- Question 3: Could you tell me about your reasoning behind your last business venture that you started?
 - Probes:
 - Risk mitigation
 - Resource accumulation
 - Family members involvement
 - Excitement and thrill of start-up process
 - Purely opportunity driven

Script after interview

- *Thank you very much for your valuable input, it's much appreciated.*
- Explain how the data would be used and that the final research dissertation could be made available to the participant if he/she would like to receive an electronic copy.
- Provide my contact details if the participant would have any further questions or insights.
- *Would it be ok with you if I contact you again if I need to clarify any information, ask additional questions or have you member check the interview's finding conclusions?*



Appendix C - Refined final code list

Buy Under Performing Businesses
BCKGND - Education
BCKGND - Family
BCKGND - Learning Business
BCKGND - Place of upbringing
Boredom
Business Plan
Childhood Entrepreneurial Intent
Closing of Venture
Competition
Core Business
Corporate Employment
Culture
Customer Service
Dealing with Challenges
Delegation - Skill
Diversity of ventures
Drive
Ego Destroys Business
Employ the right people
Employee Training
Entered into Venture to help people - Social side
Entrepreneurial Spirited
Excitement of start-up
Exit Corporate Employment
Family business
Family Employment - Brother
Family Employment - Brother in Law
Family Employment - Cousins Son
Family Employment - Mother
Family Employment - Only of high skill
Family Employment - Passion Based
Family Employment - Sister-in-law
Family Employment - Sustainability for 4 Families over two ventures
Family Employment - Wife
Financing Venture
First Venture
General Work Skills
Gut feel Positive
Immigration
Importance of Networks
Innovation
Intent of selling venture
Investment into property
Involvement
Learning experience
Lifestyle
Like the challenge of making venture profitable



Linking Ventures - Customer of other Venture
Linking Ventures - Property for other Ventures
Management Style
Mentor
Multiple venture leads to more stable income
Multiple Ventures in same industry - Create decentralised entrepreneurial family business
Negative experience
Negotiation
New Venture Creation - Regulations Compliant
New Venture Creation - Same industry, different market (same type of business)
NVC - Alarm Security
NVC - Boutique Hotel
NVC - Building Supplies
NVC - Business Print Venture
NVC - Chicken Take-Away
NVC - Coffee Shop
NVC - Construction
NVC - Consultancy Venture
NVC - Consulting
NVC - Delivery Venture
NVC - Driving Simulator
NVC - Dullstroom Tourist Farm
NVC - Estate Agency
NVC - Fast Food Venture
NVC - Fertilizers
NVC - Furniture Design
NVC - Game Meat Retail
NVC - Golf Machines
NVC - Guesthouse
NVC - Hotel Management
NVC - Laminating
NVC - LR Restuarant
NVC - Mining Supply Company
NVC - Packaging
NVC - Properties Rent
NVC - Property Flipping
NVC - Publishing Venture
NVC - Racing Venture
NVC - Retail
NVC - Selfcatering Venture
NVC - Trial Running
NVC - Uber Car Venture
NVC - Venture - Financial Services
NVC - Venture - Food Manufacturing
NVC - Venture - Property Holdings
NVC - Venture - Students look after Houses
NVC - Venture - Wholesale Jewelry
NVC - Water Bottling Venture
Oppertunity ID - Copy existing product/service because I can do it
Oppertunity ID - Gap or Frustration
Oppertunity ID - Got venture for free
Oppertunity ID - Heard about profitability

Oppertunity ID - Heard from Associate
Oppertunity ID - I can do this better than what is on the market
Oppertunity ID - Might work - go for it
Oppertunity ID - Right environment and risk
Oppertunity ID - Something different
Partnership
Passion
Passive income
Perception of Debt
Perception of sucess
Perception on how to gain business success
Planned Future Venture - Agriculture
Planned Future Venture - Estate Agency
Planned Future Venture - Link to current portfolio venture
Profitability of venture
Quotable Quote
Reason for creating new BTB networking venture - Marketing for the coffee shop
Reason for entering new venture - Creativity, Different Environment
Reason for looking at new venture - Non-inspiring (boring) venture
Reason for new venture - Expand by focus
Reason for starring hosting website business - Have access to client base from Networking
Venture
Resources utilization
Risk - General Business Risks
Risk - No risk mitigation in creating new venture
Scaling
Self-Reflection
Skillset - Entered venture WITH skillset
Skillset - Entered venture WITHOUT skillset
Skillset - Intend of Creating Venture due to Skillset
Social Entrepreneur
Spreading Risk by having more ventures
Started Coffee shop venture because other venture market become too competitive
Strategy of venture
Team building
Tough economic conditions for one venture
Traits
Trust
Venture Creation because of trusted partner and excitement of it

Appendix D – Respondent information table

Table 1. Summary of the respondents' different ventures within their portfolios.

Respondent	Gender	Portfolio Entrepreneur duration (years)	Number of ventures in current portfolio	Industries involved
R1	Male	12	7	Hospitality, Consulting, Retail, Transportation, Services (Printing), Entertainment.
R2	Male	5	3	Insurance, Retail, Property.
R3	Male	8	4	Hospitality, I.T., Child care, Retail.
R4	Male	15	4	Manufacturing, Publishing, Services (Printing).
R5	Male	4	4	Property, Hospitality.
R6	Male	6	4	Hospitality, Property.
R7	Female	7	2	Manufacturing, Retail
R8	Male	18	4	Retail, Consulting, Art.
R9	Male	19	6	Construction, Hospitality, Service (laminating), Retail, Security, Manufacturing.
R10	Male	5	4	Retail, Entertainment.
R11	Male	3	2	Services (training), Manufacturing, Consulting.
R12	Male	12	3	Security, Export, Retail.

Appendix E – New venture creation rationale matrix

Table 2. New venture creation rationale matrix

Respondent	Personal expertise	Passion	Different environment	Boredom	Resource accumulation	Mitigate risk	Family employment	Help others	Reached capacity	Good opportunities
R1		✓		✓	✓		✓			✓
R2	✓	✓	✓	✓	✓	✓	✓			✓
R3	✓	✓		✓	✓	✓	✓			
R4	✓			✓	✓	✓	✓			✓
R5	✓			✓		✓				✓
R6	✓		✓	✓			✓			✓
R7							✓			✓
R8	✓	✓	✓	✓			✓	✓		✓
R9				✓	✓	✓				✓
R10	✓	✓		✓	✓	✓	✓	✓		✓
R11	✓				✓	✓			✓	✓
R12			✓			✓				✓