

# Entrepreneurship – Session 4 (October 22)

## How do entrepreneurs develop opportunities?

Prof. Dr. Nicola Breugst

Technical University of Munich

TUM Entrepreneurship Research Institute

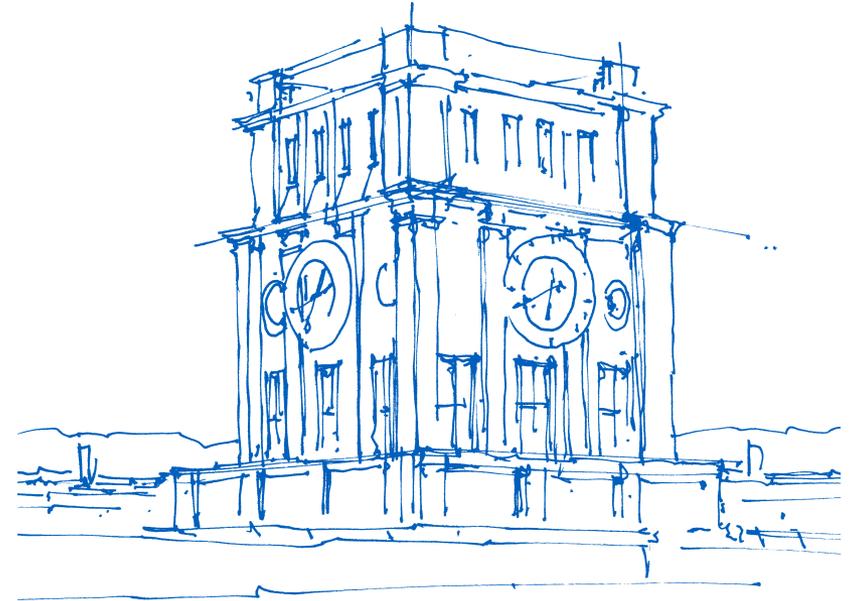
Professorship of Entrepreneurial Behavior

Munich, Winter Semester 2025/2026

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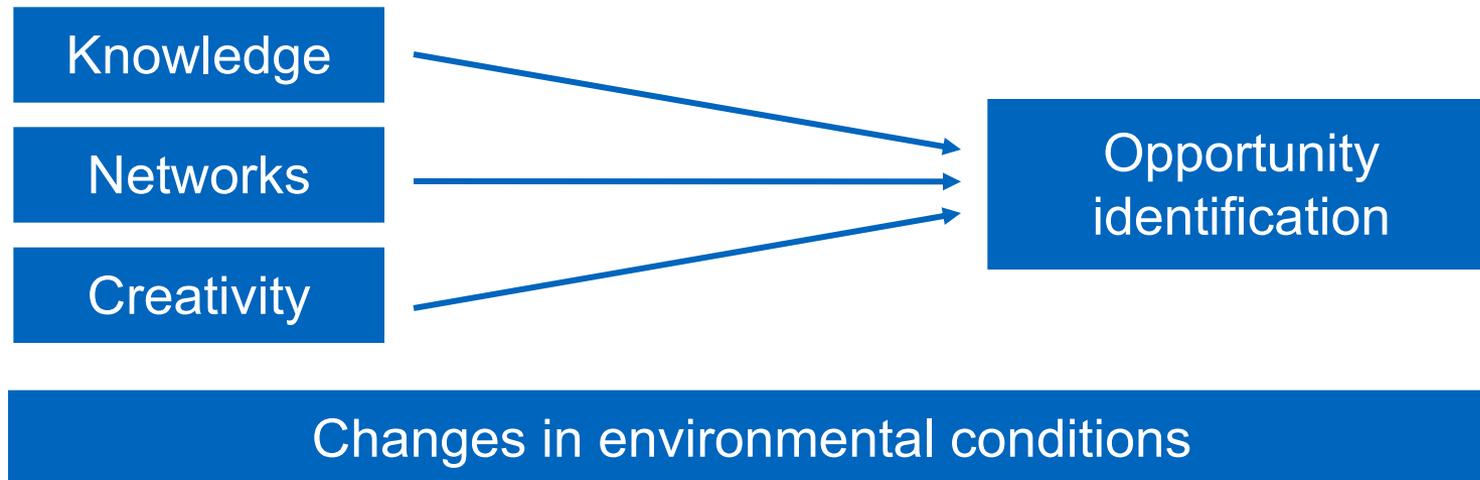
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# Summary Session 3

What factors contribute to opportunity identification?



Based on George et al. (2016)

## Example – Multiple Choice Question

An entrepreneur worked as a designer and gets to know the three-dimensional printing technology. After talking to a friend who works as a surgeon the entrepreneur starts a company that produces bone replacement materials.

- a) The entrepreneur's opportunity recognition was probably influenced by his network which frequently happens.
- b) The entrepreneur's opportunity recognition was probably influenced by his network which rarely happens.
- c) The entrepreneur's opportunity recognition was probably influenced by his previous experience which rarely happens.
- d) The entrepreneur's opportunity recognition was probably a pure coincidence.

# Course overview

#	DATE	TOPIC
1	Oct 14	Introduction
2	Oct 15	Who is the “entrepreneur”?
3	Oct 21	How do entrepreneurs recognize opportunities?
4	Oct 22	How do entrepreneurs develop opportunities?
5	Oct 28	Guest lecture by Csilla Spiller (Beautechtul)
6	Oct 29	How do entrepreneurs structure business opportunities?
7	Nov 04	How do entrepreneurs gain and allocate resources?
8	Nov 05	How do entrepreneurs manage their teams?
9	Nov 11	Putting content into play: Interactive workshop. <i>Please bring a computer. (Session during student assembly, no new content.)</i>
10	Nov 12	Guest lecture by Leonhard Teichert (Circular Republic)
11	Nov 18	Guest lecture by Stefan Schenk (PeterPark)
12	Nov 19	How do entrepreneurs enter their markets and how do they grow their ventures?
13	Nov 25	Guest lecture by Inga vom Holtz (UnternehmerTUM Funding for Innovators)
14	Nov 26	Q & A Session
	Dec 12	Exam

# Turning ideas into opportunities

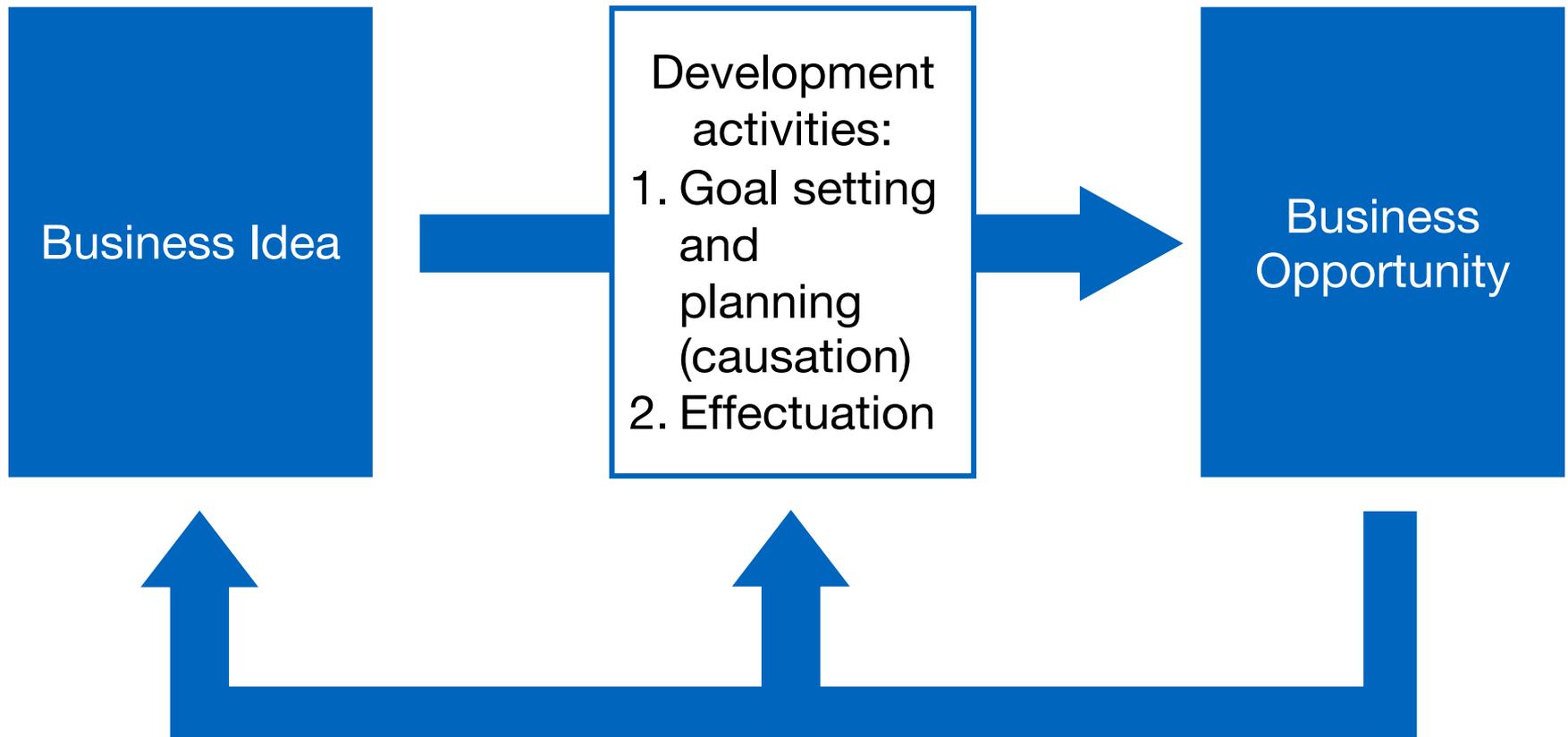
Ideas are essential but not sufficient condition for opportunities to emerge

Need to consider commercial viability, potential market demand profitability, competition, sustainability

“Only ideas that are acted upon are deemed to have been perceived as profit opportunities”  
(Kirzner, 1979)



# The process from an idea to an opportunity



Based on Dimov (2007)

# Fundamentally different challenges?

Hairdresser's shop



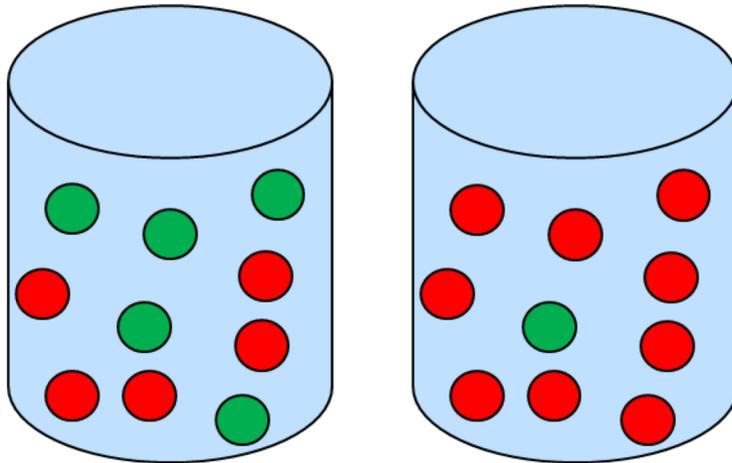
Mining on the moon



# Risk vs. uncertainty

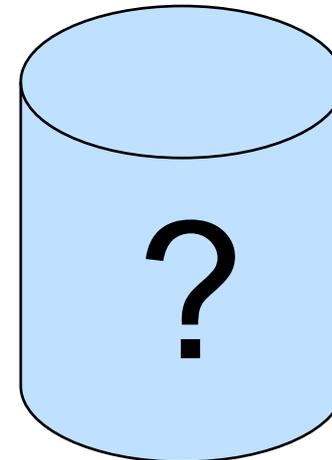
## Risk

The probability of an outcome is possible to calculate or is knowable



## Uncertainty

The probability of an outcome is not possible to determine or is unknowable



# 1. Opportunity development through goal setting and planning (causation<sup>1</sup>)



<sup>1</sup> While goal setting and planning is consistent with Sarasvathy's (2001) idea of causation, we will only introduce the term causation when we speak about effectuation as its counterpart.

# Opportunity development process

- Continuous process of shaping and developing the idea
- Engagement of other social actors to further develop the idea – explicitly ask for feedback
- Refine, elaborate, change
- Different insights shape the raw idea into a valid opportunity
- Don't be afraid to change the idea



Gradual reduction of uncertainty surrounding the business idea.

# Opportunity development and planning

1

**Goal setting**  
(specific and challenging goals)

(Baum & Locke, 2004)

2

**Proactive action planning**  
(i.e., defining specific steps for goal achievement)

(Frese et al., 2007)

3

**Outcome of business planning**  
(e.g., the existence of written business plans, goals, budgets)

(Brinckmann et al., 2010)

3

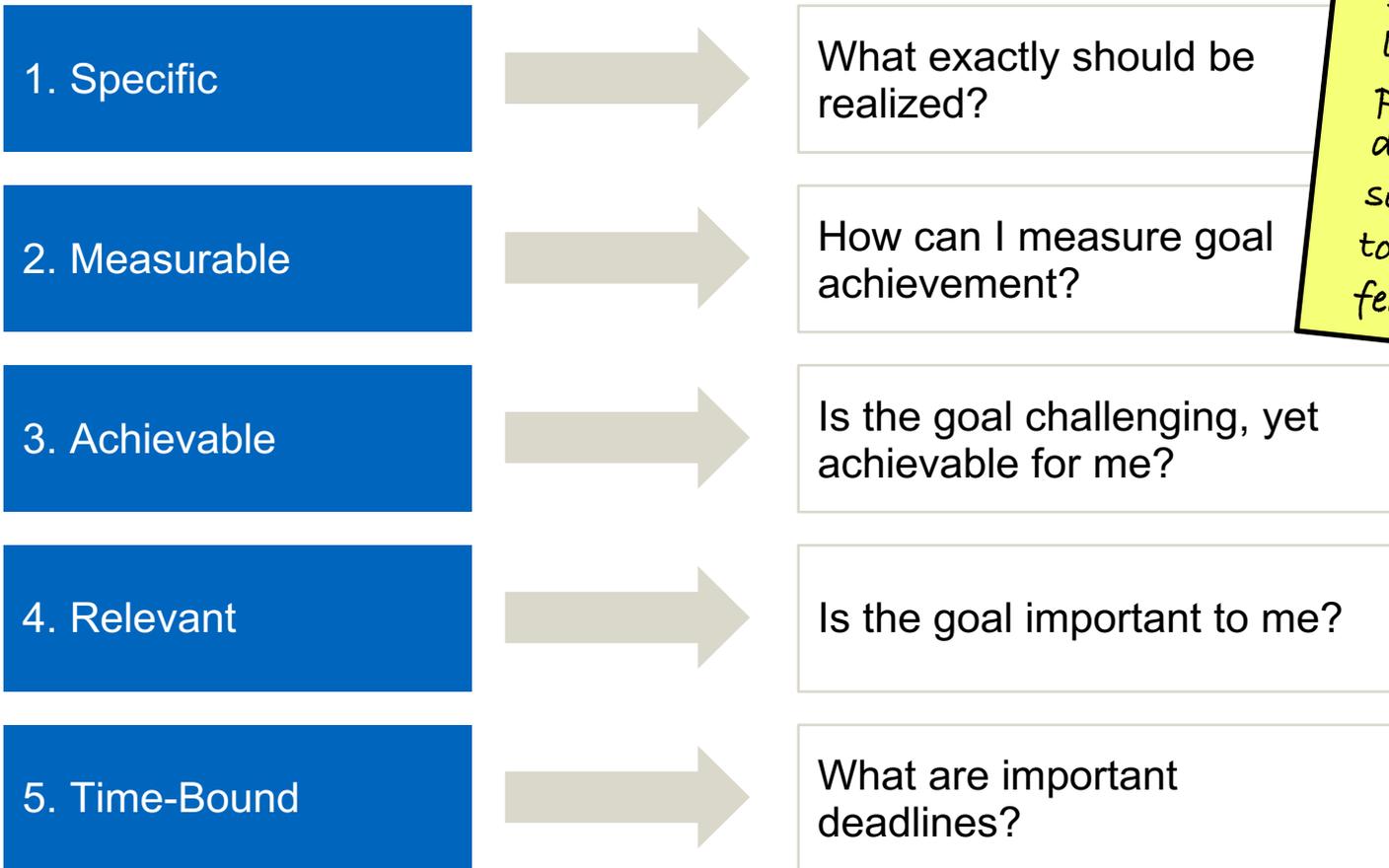
**Process of business planning**  
(intensity and analytic complexity of business planning activities)

(Brinckmann et al., 2010)

Positive and significant relationship with  
venture performance and / or growth

# 1 Goal setting

SMART goals are motivating and enhance performance.



**Example**  
 Have at least 1 business opportunity within 1 month which at least 5 different persons from 3 different groups seriously consider to be viable and feasible.

Doran (1981)

## 2 Action planning

- Goals need to be broken down in sub-goals and plans how to achieve them!
- *Goal intention:*
  - “I intend to achieve X”  
Have at least 1 business opportunity within 1 month which at least 5 different persons from 3 different groups seriously consider to be viable and feasible.
- *Implementation intention:*
  - “When situation Y arises, I will perform response Z!”  
When I meet somebody from the automotive industry, I will talk to him/her about my business idea.
  - “Whenever situation Y arises, I will do Z!”  
Whenever I read about a new trend, I reflect upon potential business ideas arising from it/ necessary changes to my business idea.

## 3 Typical elements of a traditional business plan

- Executive summary
- Company description
- Products and services
- Organization and management
- Marketing analysis
- Marketing strategy
- Financial projections
- (Funding requests)
- There are many templates online, for example, at your local chamber of commerce or small business associations (e.g.: <https://www.sba.gov/business-guide/plan-your-business/write-your-business-plan>)



However, most funding programs and investors have their own preferences. Be ready to provide information as requested!

## 2. Effectual logic for managing uncertainty (instead of causation)



# Entrepreneurs are effectual decision-makers



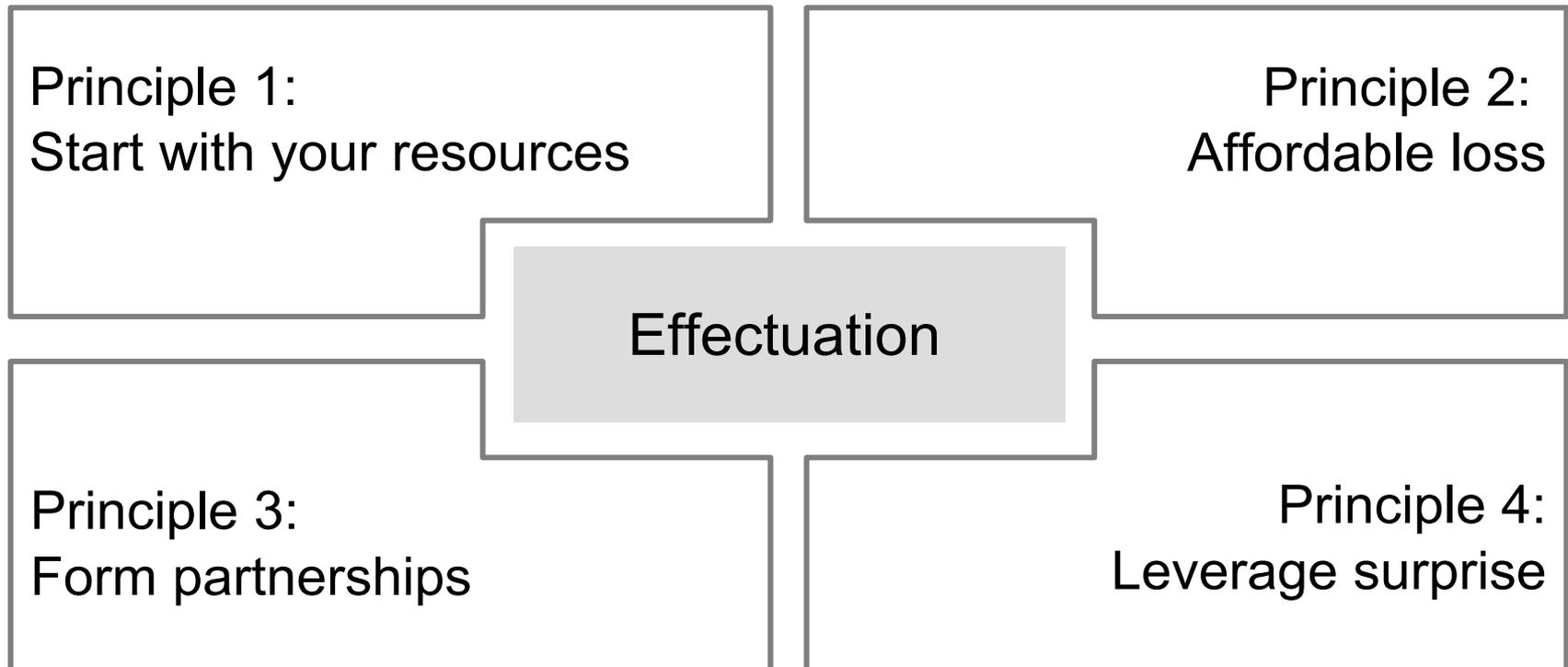
**"The expert entrepreneurs think in terms of control, not in terms of uncertainty."**

**Entrepreneur**

Saras D. Sarasvathy

# Dealing with uncertainty

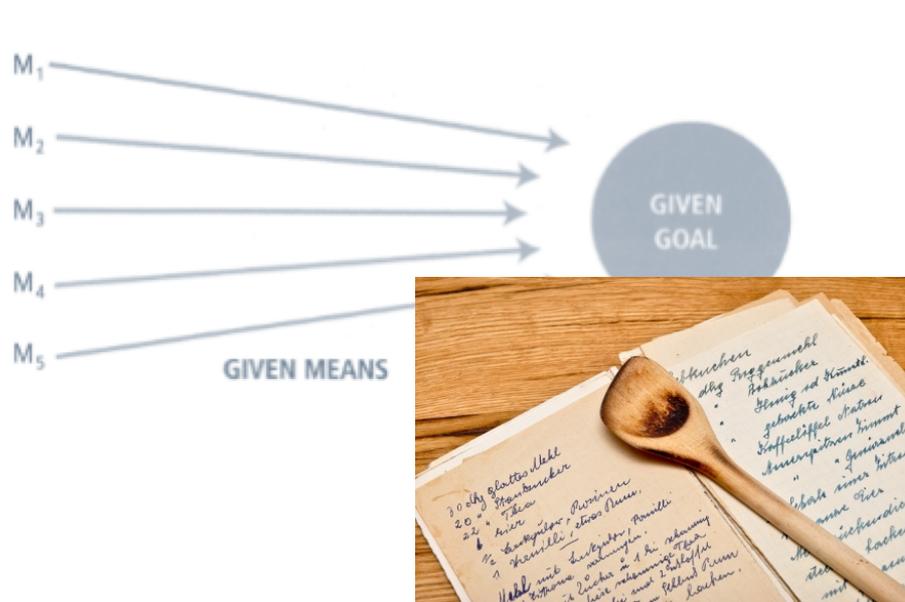
**Effectuation framework** (Sarasvathy, 2001) helps us understand how successful entrepreneurs deal with uncertainty



# Principle 1: Start with means

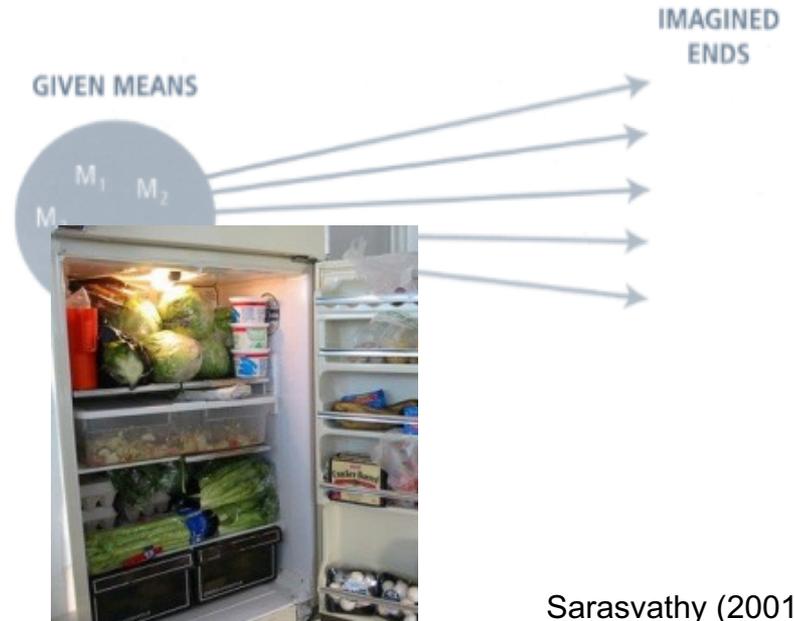
## Causation

Start with a desired outcome.  
Focus on means to generate the outcome.



## Effectuation

Starts with resources.  
Selects among possible outcomes.

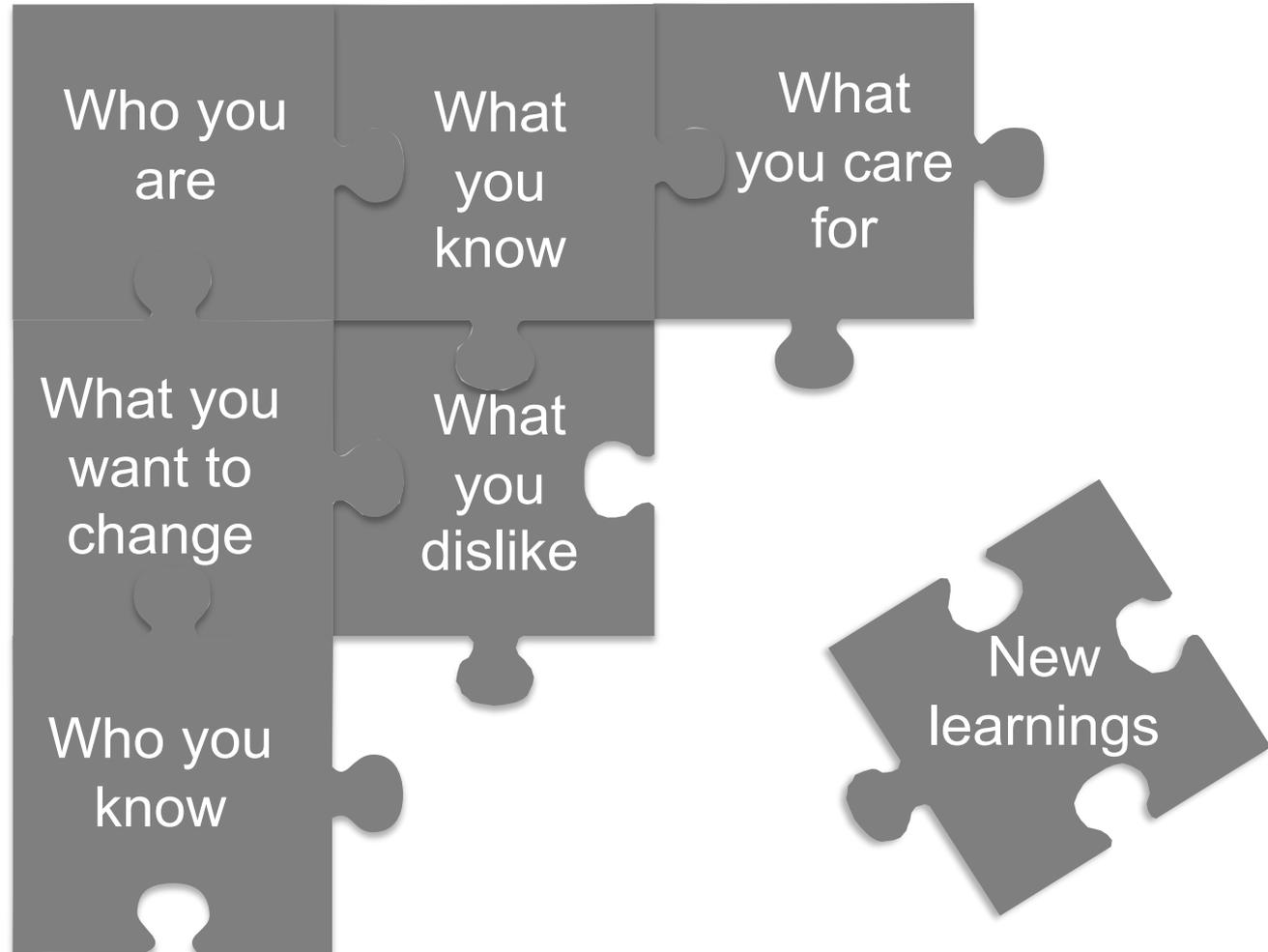


Sarasvathy (2001)



You have the chance to put these principles into practice in our interactive workshop on November 11!

# Unique pool of resources



# Unique resources can result in unique ideas



“I decided to take a calligraphy class [...] And I found it fascinating. None of this had any hope of any practical application in my life. But 10 years later, when we were designing the first Macintosh computer, it all came back to me.”

<http://www.leemunroe.com/steve-jobs-calligraphy/>



“Ever wonder why we’re so fond of chunky flavors? Blame it on Ben. He has anosmia, which means he has no sense of smell and almost no sense of taste. So, what does he enjoy about ice cream? The creamy, chunky texture!”

<https://www.benjerry.com/whats-new/2017/09/ice-cream-useless-facts>



“[T]hen the Twitterverse and the Instagram world and the online sphere started attacking me. And I had never really understood online bullying. I didn’t even know what that meant or what it felt like. It made me really depressed.”

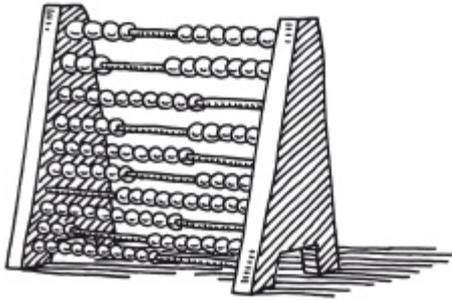
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# Principle 2: Affordable loss

## Causation

Calculate upside potential and pursue the (risk adjusted) best opportunity.



## Effectuation

Calculate downside potential and risk no more than you can afford to lose.



Sarasvathy (2001)

# Affordable loss: Risk little, fail cheap

- Limitation of investments and minimizing costs
- Consideration of flexible or low-cost / free resources
- Affordable loss principle can be a starting point for sustainable business



# Principle 3: Form partnerships

## Causation

Set up transactional relationships with customers and suppliers.



## Effectuation

Build your future together with customers, suppliers, and even competitors.



Sarasvathy (2001)

# The relevance of partnerships



**MISTER SPEX**

So kauft man Brillen heute

Bitte Suchbegriff e

Brillen

Sonnenbrillen

**SEHTEST VOR ORT**

bei über 550 Partneroptikern

# Principle 4: Leverage surprise

## Causation

Avoid surprises.



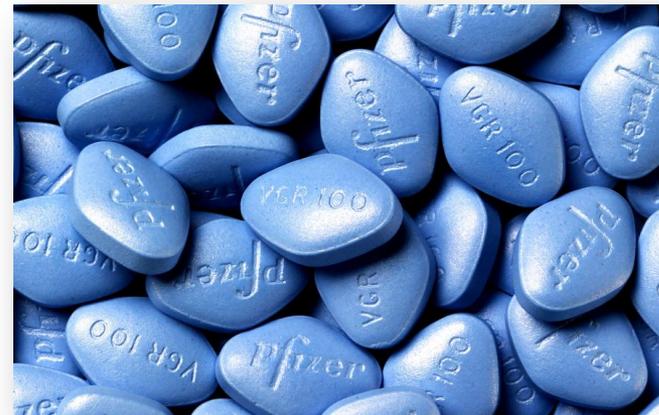
## Effectuation

Surprises and even failures can represent new opportunities

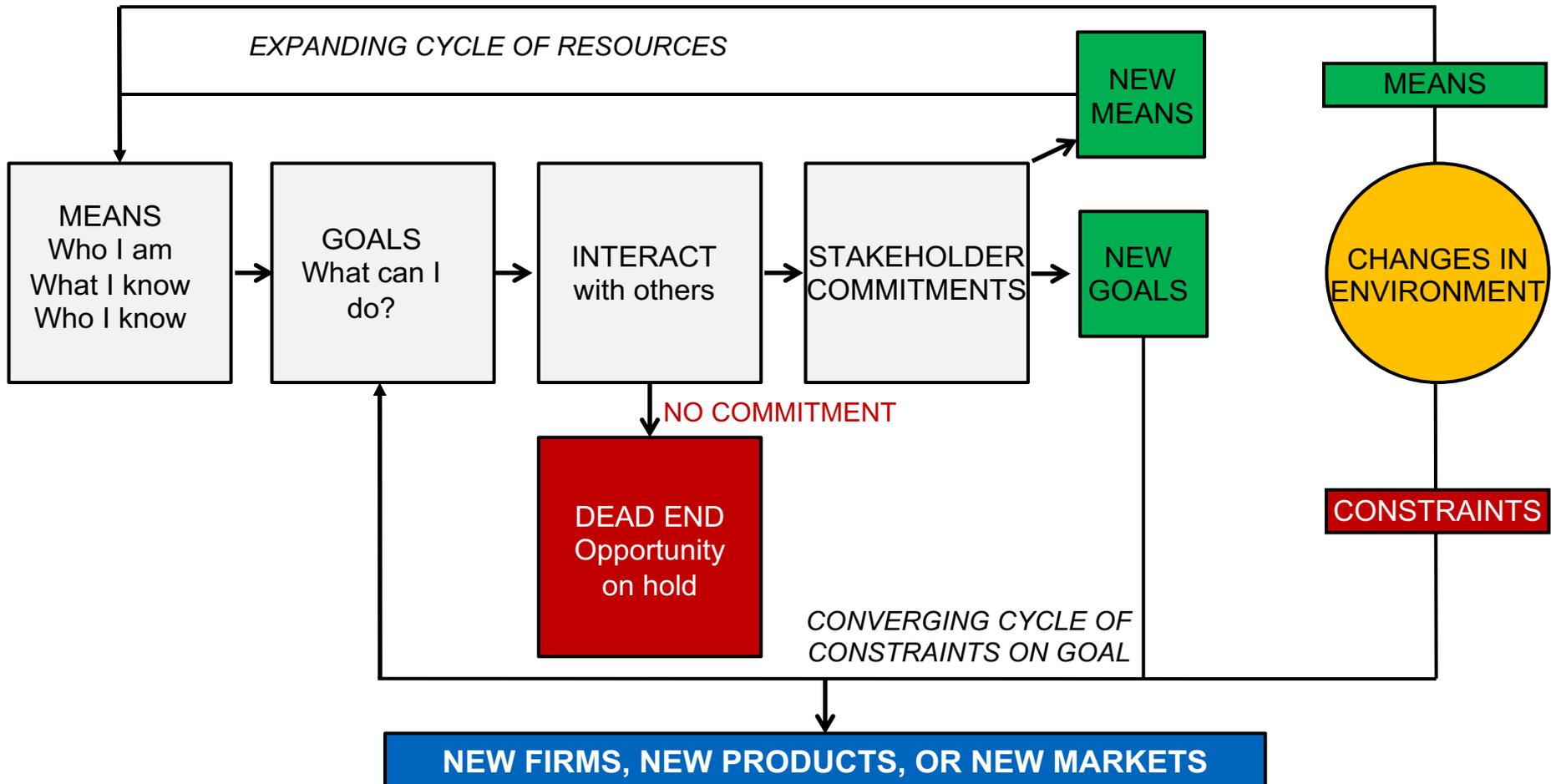


Sarasvathy (2001)

# Effectuation in practice: Turning initial failures and unexpected events into opportunities



# Summary: Effectuation in action



Sarasvathy (2001)

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