

AMERICAN UNIVERSITY OF BEIRUT

ENGAGING CONTEXT IN STUDYING  
ENTREPRENEURSHIP: AN EXPLORATORY FIELD STUDY  
ON SITUATED PRACTICES OF ENTREPRENEURS IN THE  
MIDDLE EAST

by  
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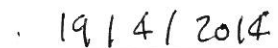
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# AN ABSTRACT OF THE THESIS OF

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Title: Engaging Context in Studying Entrepreneurship: An Exploratory Field Study on Situated Practices of Entrepreneurs in the Middle East

The entrepreneurship research over the last few decades has firmly established that opportunity recognition is correlated with the traits of entrepreneurial individual/team. However, the correlation often explains at best up to one-quarter to one-third of variance in success. More recently, this has led scholars to call for research that pays greater attention to processes and contextual forces shaping entrepreneurship, focusing on the actions of entrepreneurs and practices of entrepreneurship in situ. This type of research in the Middle Eastern region is even more pressing given the dearth of studies on the topic in general and on these specific aspects of entrepreneurship in particular.

This research project addresses the latter gap by studying the actions of five fairly successful entrepreneurs and the practices of entrepreneurship they engaged in to tackle the challenges their firms faced as they grew their firms. On the one hand, the research focused on the role of four different contextual elements: social, spatial, institutional and business. On the other hand, the research addressed the key dimensions of effectuation during entrepreneurship: starting with means; affordable loss; forming partnerships; exploiting contingencies; and exercising future orientation.

First and foremost, the findings of this research demonstrate that indeed context plays a key role in shaping the entrepreneurial actions. However, more importantly the research shows that certain contextual elements (e.g., civil war foreign exchange fluctuations, energy and water cuts) can be highly salient in determining the fate of the entrepreneur's actions—albeit as a necessary but not sufficient condition. Second, the research has successfully shown that the logic of effectuation provides a productive framework to study the courses of action entrepreneurs have taken overall. In 3 cases, the 5 elements of effectuation appear to be present: starting with means; affordable loss; and exercising future orientation. The notion of partnerships even through present in all cases is stronger in 2 cases relative to other 3. Finally, the exploitation of contingencies appears not have played a key role in 2 cases and a played lesser role in 1 case compared to the other 2 cases. The findings have extended the extant literature by not only affirming the role of context but by actually highlighting how specific aspects of context, e.g., social, spatial, institutional and business can be binding on entrepreneurship practices. Furthermore, we have clearly shown that effectuation is a highly plausible explanation of actions of entrepreneurs and the entrepreneurship process in general. Given that, this is the first application of

context/effectuation to the Middle Eastern firms, it is hoped future research will continue expanding this stream of studies.

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# CHAPTER I

## INTRODUCTION

Entrepreneurs play a critical role in sustaining economic growth through innovation, wealth creation, and employment generation. They are increasingly being recognised as the backbone of economies around the world, often responsible for developing new technologies, new markets, and new processes that have redefined the way we do business. In the U.S. alone, entrepreneurs have paid wages to 40 million new employees and generated billions of dollars in taxes over the last 30 years (Hall, 2012). It is therefore not surprising that the field of entrepreneurship has attracted interest from the academic world and has since firmly established itself as a legitimate scholarly discipline.

Over the last decade, research into entrepreneurship has substantially grown in breadth and depth. Despite this trend, a number of scholars have identified major issues concerning existing research methods that they view as a hindrance to the evolutionary growth of the discipline. Recent scholarship (e.g., Venkataraman, 2000; Shane, 2008; Shane & Ruef, 2009; Zahra and Wright, 2011; Venkataraman et al 2012) argues that the time has come for a shift in the focus, content and methods of entrepreneurship research. They stress the need to take seriously the context in which entrepreneurs work, in order to fully appreciate the implications of culture, country, and regional dynamics on entrepreneurial actions. They further claim that findings from existing research papers are based on limited field studies, relying on stylised facts and less on “actual practices of the entrepreneurial teams in situ”. Another area of concern,

highlighted by Sarasvathy (2001), Aldrich & Yang (2012), and Corbett et al (2012) is the lack of research undertaken that focuses on the *practices of nascent entrepreneurs and ventures*. The extant research has rarely focused on the actual practices and actions of entrepreneurs and their teams, thereby shedding little if any light on the actual on-the-ground tasks and the many uncertainties entrepreneurs face as they try to successfully steer their enterprise through its start-up stage. Sarasvathy (2001) and Corbett et al (2012) suggest that a more pragmatic approach, which focuses squarely on the contingencies and on the entrepreneurial actions as well as linkages to context, is more likely to provide us with a realistic and useful knowledge of entrepreneurship.

With this paper, I hope to contribute to this field of study by filling some of the research gaps discussed above, and in doing so, help build a foundation for future studies in this particular area of scope. To meet these objectives, I plan to carry out field studies on Middle Eastern (Lebanese) entrepreneurial firms whose startups had survived its emerging phase and hit its respective inflection point. This study will take the form of in-depth focused interviews in which I will document in detail the challenges and actions the entrepreneurial team had faced and had taken from its inception to its inflection point. I will also engage the essential aspects of context in this study by offering a detailed overview of some of the salient conditions the entrepreneur faced and worked under. These factors may include the state of the local and regional economies, prevailing technologies, local business and social culture, and market and industry trends or lack thereof. With this information at hand, my aim is to document and rigorously reflect on entrepreneurial actions of these firms in order to draw certain patterns for future theory building. My research approach is case study-based (Yin,

2003) employing the practice perspective (Feldman and Orlikowski, 2012; Reckwitz, 2002) and engaging elements of context (Welter, 2011, Zahra and Wright, 2011).

### **1.1. Research Objectives**

The objectives of this research are summarised below:

1. Closely study the actions and processes or *situated practices* undertaken by an entrepreneur from point of inception to point of inflection.
2. Engage the context by observing and analysing the effects of salient in shaping entrepreneurial action and behaviour.
3. Draw connections between action and context as the most relevant focus for entrepreneurship and practices.

### **1.2. Research Questions**

1. What types of challenges do nascent entrepreneurs face when launching a new business?
2. What types of options are available to them to grow their business?
3. How does context affect entrepreneurial decisions and actions?
4. How do external and internal salient factors influence decision making?
5. Can connections or patterns be drawn or observed between activity and context?
6. If so, how relevant are these connections in guiding the future behaviour or success of an entrepreneur?

This paper will begin with a literature review in which I will discuss works from major contributors to the study of entrepreneurship since the beginning of the millennium. By doing so, I would highlight how this field of study has quickly evolved

in depth and breadth over the years. I will end my literature review with a section dedicated to suggested areas of research, in which I will discuss the need to explore context for entrepreneurship, and how contextualising entrepreneurship will contribute to our understanding of this phenomenon (Welter, 2011). Following my literature review, I will include a chapter in which I will provide details of my research methodology and offer a rationale for its design. In the following chapters, I will include a summary for each of the five case studies carried out, followed by an analysis of my findings.

I will summarise my contribution to this field of study, discuss the limitations with respect to my research. Finally, I will offer the overall conclusion of my study.

## CHAPTER II

### LITERATURE REVIEW

*“The value of an idea lies in the using of it.”*  
*Thomas Edison*

#### **2.1. A Conceptual Framework**

In their article *‘The Promise of Entrepreneurship as a Field of Research’*, Shane and Venkataraman (2001) argue that for a field of social science to have any value, it must have a conceptual framework with which to explain and predict a unique set of empirical phenomena. They further argue that previous research on the phenomena of entrepreneurship had lacked such a conceptual framework. As a result, such studies were generally indistinctive from other broader domain of business studies, thus undermining the legitimacy of entrepreneurship as a field of study.

In their bid to construct a conceptual framework, Shane and Venkataraman had to first define the domain of this field. Previous definitions had focused mostly on only one phenomenon of entrepreneurship: the enterprising individual, thus largely neglecting another equally important phenomenon: the presence of opportunities, without which, the enterprising individual cannot exist. Citing Gartner (1988), Shane and Venkataraman claim that existing definitions were incomplete as they did not consider the variation of the quality of opportunities different people identify and react to. This type of omission would have come as no surprise to existentialist Rollo May (1994), who suggests that outworking over the last four centuries has aimed to separate man as subject from the objective world, expressing Western Man’s passion to gain



power over nature. May borrows Von Uexkull's (1934) metaphor of the forest to illustrate the variety of ways the human being can react in a given situation. For example, the forest presents several environments for people with different purposes; for the lumberjack it is an opportunity to chop down trees; for the artist it is an inspiration for a painting; for the couple it is a romantic place in which to go for a walk; for the naturalist it presents an ideal setting to study plants and animals. In other words, this metaphor illustrates the variety of ways the human being can relate to the same environment, demonstrating that the relationship between the two is subjective and cannot be explained solely by the human being's objective attributes.

Applying a similar logic, Shane and Venkataraman question empirical research supporting the theory that entrepreneurs have unique attributes that differentiates them from other individuals. This doubt is supported by Ross and Nisbett's (1992) assertion that our ability to predict how particular people will respond in a particular situation is very limited. Pointing to empirical data collected from behavioural experiments, Ross and Nisbett state that the statistical correlation between measured individual differences on a given trait dimension and behaviour in a novel situation that tests that dimension has been at best 0.3, leaving a large variance in people's behaviour unaccounted for. Consequently, to fully appreciate the dynamic relationship between the individual and the opportunity, one must study the sources of opportunities including their discovery, evaluation and exploitation, whilst also acquiring a deeper understanding of why, when, and how some individuals, and not others, discover and exploit these opportunities. With this in mind, Shane and Venkataraman settled on Venkataraman's (1997) definition of the field of entrepreneurship *as the scholarly examination of how, by*

*whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.*

With the definition established, the next step was to understand why opportunities exist and why some individuals discover and exploit them, leaving others to ask themselves ‘*Why did I not think of that!*’

Before exploring the question of why opportunities exist, a distinction must be made between a general opportunity and an entrepreneurial opportunity. According to Kirzner (1997), the latter requires the discovery of new means-ends relationships, while the former involves optimisation within existing means-ends frameworks. For example, early adopters of the World Wide Web discovered and exploited the opportunity to sell their products online thereby creating a new marketplace and accessing a greater market share than was previously possible. Such entrepreneurial opportunities are normally associated with many unknowns; in this particular case: absent or weak e-banking system, and uncertainty of how consumers will react to a digital market place. However, Kirzner posits that entrepreneurial opportunities need not necessarily be associated to ground breaking innovations such as the World Wide Web. In fact, entrepreneurial opportunities can leverage on existing information or knowledge that has not yet been assimilated locally (e.g. introduction of e-commerce in an economy yet to have embraced the power of the internet). Whatever type of entrepreneurial opportunity, predictive decision making processes for entrepreneurs remain particularly challenging in the absence of or weak data (Baumol, 1993). This daunting reality for entrepreneurs would later serve as inspiration to Sarasvathy’s ground breaking work on ‘effectuation’, which will be discussed further below.

According to Schumpeter (1934), entrepreneurial opportunities exist in factor market, where the discovery of new materials creates new possibilities. However, Schumpeter also associated entrepreneurship with meta-events or significant innovation (e.g. Internet and the internal combustion engine) that would drastically cause major market change (Chaston, 2012). In Schumpeter's view, opportunities can only exist when an entrepreneur, through radical innovation, brings disequilibrium into a market. This process, which he coined "creative destruction", promotes new economic growth through the destruction of the established and outdated way of doing business (Fuduric 2008). Decades later however, Drucker (1985) would expand on Schumpeter's view of entrepreneurship as a meta-economic event. Drucker encompasses a broader view of entrepreneurship by also incorporating Kirzner's (1973) belief that entrepreneurial opportunities transpire when entrepreneurs take advantage of market discrepancies (shortages or surpluses) or faulty frameworks; in this case the market is said to be in a state of disequilibrium. Having incorporated both Schumpeter' and Kirzner's views, Drucker discovered seven sources of opportunities, which Venkataraman (1997) had re-arranged into three distinct categories: (1) the creation of new information, as occurs with the invention of new technologies; (2) the exploitation of market inefficiencies that result from information asymmetry, as occurs across time and geography; and (3) the reaction to shifts in the relative costs and benefits of alternative uses for resources, as occurs with political, regulatory, or demo- graphic changes.

To complete their framework, Shane and Venkataraman attempt to elucidate the mystery of why some people discover and exploit opportunities and others do not. They build on the works of Schumpeter (1934), Hayek (1945), Kiezner (1973), and Kaish & Gilad (1987) to establish two broad categories of factors that influence the

probability that particular people will discover particular opportunities: (1) the possession of the prior information necessary to identify an opportunity and (2) the cognitive properties necessary to value it.

The first category is mostly attributed to the works of Schumpeter (1934), who asserted that information is imperfectly distributed among a population, implying that some people have a head-start as they obtain information before others do. Kaish & Gilad (1987) expand on this view by suggesting that an individual's background, that is complementary to new information, will influence him or her to recognize new opportunities before others do. For example an I.T. specialist working in the 1990's would have had a good understanding of the technological potential of the internet and would therefore be better positioned to discover new opportunities than those without the same knowledge or exposure. This example serves to reinforce the logic that an opportunity can only be entrepreneurial if it is not obvious to everyone all of the time (Hayek, 1945).

The second category is mostly attributed to works of Kirzner (1973), who claims that an entrepreneur who has the ability to identify errors in the marketplace, in the form of shortages, surpluses, and misallocated resources, would pounce to take advantage of them and make a profit. For example, in 1967, Herb Kelleher co-founder of Southwest Airlines, observed a shortage of low-fare flights which had eventually led him to pioneer low-cost carriers. Kelleher offered low-cost fares by eliminating costs associated to unnecessary services and by utilising secondary airports. Southwest Airlines is now a major airline in the United States and the only one to have turned a pro Herb Kelleher fit for forty one consecutive years (Kelleher Biography, 2014).

While we may have some understanding as to how and why opportunities are discovered, Shane and Venkataraman point out that the decision to exploit them is another important step that is not always taken. They point that the decision to exploit discoveries is a function whose outcome is jointly determined based on the characteristics of the opportunity and the nature of the individual simultaneously.

Citing Kirzner (1973) and Schumpeter (1934), Shane and Venkataraman (2000) suggest that the characteristics of an opportunity can influence someone to exploit it as long as: (1) the expected value of pursuing such ventures is satisfactory (higher than alternatives), (2) the exploiter has the available time and money, (3) the expected premium is high enough to bear the uncertainty of outcome.

They also list the following additional influential factors which they attribute to previous research undertaken: (4) expected demand is large (Schmooker, 1966; Schumpeter, 1934), (5) industry margins are high (Dunne, Roberts, & Samuelson, 1988), (6) technological life cycle is young (Utterback, 1994), (7) competition is neither too low or too high (Hannan & Freeman, 1984), (8) the cost of capital is low (Shane, 1996), and (9) population-level learning from other entrants is available (Aldrich & Wiedenmeyer, 1993).

With respect to individual differences, Shane and Venkataraman cite various researchers who claim to have found a relationship between the individual's characteristics and the probability that he or she will decide to exploit their discovery: (1) stronger social ties to resource providers (Aldrich and Zimmer, 1986), (2) information gathered from work experience that is complementary to opportunity (Cooper, Woo, and Dunkelberg, 1989), (3) the transferability of information from the prior experience to the opportunity (Cooper et al., 1989), (4) Prior entrepreneurial

experience (Carroll & Mosakowski, 1987), (5) higher risk tolerance associated to entrepreneurial opportunity uncertainties (Venkataraman; 1997, Khilstrom & Laffont, 1979; Knight, 1921), (6) positivity/optimism (Busenitz & Barney, 1997; Palich & Bagby, 1995; Kahneman & Lovallo, 1994; Audretsch, 1991; Kaish & Gilad, 1991; Cooper, Woo, & Dunkelberg, 1988), (7) greater self-efficacy and internal locus of control (Chen, Greene, & Crick, 1998), (8) higher tolerance for ambiguity (Begley & Boyd, 1987), and finally (9) higher need for achievement (McClelland, 1961). Shane and Venkataraman emphasise however that the above attributes do not necessarily increase the probability of success. For example, an overly optimistic entrepreneur may be overly confident of his or her idea and lose focus of reality and make mistakes or make no contingency planning.

Since its publication, '*The Promise of Entrepreneurship as a Field of Research*' has been revered as a major contribution to the field of entrepreneurship, and has sent a strong message to the scholarly community that the study of entrepreneurship should be treated as a discipline in its own right as opposed to an extension of other business studies. Shane and Venkataraman concede that some of their arguments may be flawed, and certain statements may prove to be inconsistent with data empirical research yet to have been carried out. Nevertheless, the above framework presented would serve as an important starting point for scholars to explore, scrutinise and build further theory on.

One scholar in particular, whom the section below is dedicated to, would not only build on Shane and Venkataraman's framework, but would also revolutionise how we look at entrepreneurship.

## 2.2. The Paradigm Shift

In her paper *'Causation and Effectuation: toward a theoretical shift from economic inevitability to entrepreneurial contingency'*, Sarasvathy (2001) embarked on a journey to understand entrepreneurship as a form of expertise. More pertinently, she shifts her research focus from asking 'why do some people become entrepreneurs?' to 'what are the barriers to entrepreneurship?' (Venkataraman, 2008).

Sarasvathy (2001) begins her argument by highlighting a major flaw in how decision making process is taught in business schools. For example, students of economics are taught to approach pricing decisions by carrying out market research in order to establish a demand function from which an optimal price is chosen. Students of management or organizational behaviour will approach decisions relating to personnel with the use of psychometrics to avoid biases such as anchoring or groupthink. Sarasvathy argues that these approaches to decision making are flawed because they assume the existence of central artifacts (firms, markets, and economies) and context of business. Therefore, students are only taught to analyse existing artifacts, not create them. Sarasvathy best illustrates her point by asking the following questions: 'how do we price a product if a market does not yet exist for it?' Likewise, 'how do we value an industry that has recently emerged?', and 'how do we decide on what talent to hire for a company that does not yet exist, but its existence is contingent upon acquiring employees?'

These types of questions are no more pertinent than for entrepreneurs, whom generally start out with some vision and venture into the unknown in the hope of monetising their idea. If long established markets exist for their product or service, then it is feasible to carry out market studies to formulate the best strategy to penetrate their

target segment. However, in areas such as e-commerce, where markets are starting to emerge or still do not exist, applying such market studies to predict outcomes would be as disorientating as a headless horseman leading his blind horse.

With this in mind, Sarasvathy and Dew (2005) went on to develop a “model” that would shed light on how decisions are made in the absence of preexistent goals. This model, which she refers to as the “process of effectuation”, would differ greatly from the widely used incumbent decision making model, which she refers to as the “process of causation”. A distinction between the two processes is provided in the section below.

### ***2.2.1. Process of Causation and Effectuation***

Causation processes involve selecting resources or means to achieve a predetermined effect or goal. Effectuation processes, on the other hand, involve employing given resources or means and selecting possible effects or goals with that set of resources or means. Sarasvathy (2001) provides the following example to help distinguish between the two processes.

A chef has been tasked to cook dinner for a client. If the client selects a particular dish from the menu, the chef needs to buy the needed ingredients and utensils in order to cook the requested meal. This is a process of causation; it begins with a stated goal and focuses on selecting the most effective way to achieve this goal. On the other hand, if the client asks the chef to cook an unspecified dish from the ingredients and utensils available in the kitchen, the chef is required to use his or her imagination of what possible dishes he or she can cook. This is a process of effectuation; it begins with a given set of resources and means, and then focuses on discovering what goals are possible. Sarasvathy stresses that both processes are integral parts of human reasoning



and can occur simultaneously; suggesting that applying either one or both together may be more effective during different phases of an enterprise's life cycle.

In summary, the process of causation is a top-down approach; it requires the analysis of the universe first before deciding on the specifics (e.g. start with a population; determine the market, target a specific segment, and estimate required resources). On the other hand, the process of effectuation is a bottom-up approach; it requires the analysis of the available set of resources and means in order to gauge the different effects that can be drawn from them.

Moreover, Sarasvathy suggests that effectuation's bottom-up approach stimulates creativity in entrepreneurs, who may end up discovering one or several opportunities that they were not intending to exploit from the start. By implementing this process and making use of arising contingencies, entrepreneurs can shape and even change their goals over time. This process empowers those with limited resources to think creatively and develop their ideas with as little money as possible. For example, an entrepreneur can strike strategic alliances or start on a very small scale in order to minimise costs.

Sarasvathy speculates that effectuation processes is unconsciously practiced by humans more often than causation processes. She states that human life is full of unexpected moments that we need to constantly adjust to in order to achieve our goals, be it finding the appropriate home with the limited funds at our disposal or simply thinking of what to cook with the available ingredients in our cupboards. To distinguish both processes more concisely, when a particular effect has been preselected by the decision maker, causation processes can be applied to find the most economical and most efficient method to achieve the chosen effect; when an effect has not been

preselected or is unspecific in nature, effectuation processes can be applied to identify and exploit contingencies to imagine the possible effects. In other words, the logic behind causation action is that as long as we can predict the future, we can control it; whereas the logic behind effectuation action is that as long we can mold or create our own future, we do not do not to predict it.

Table 2.1. below presents a list of the distinguishing characteristics of the two types of processes.

Table 2.1. Contrasting causation and effectuation (Sarasvathy, 2008)

Categories of Differentiation	Causation Processes	Effectuation Processes
Givens	Effect is given	Only some means or tools are given
Decision-making selection criteria	Help choose between means to achieve the given effect Selection criteria based on expected return Effect dependent: Choice of means is driven by characteristics of the effect the decision maker wants to create and his or her knowledge of possible means	Help choose between possible effects that can be created with given means Selection criteria based on affordable loss or acceptable risk Actor dependent: Given specific means, choice of effect is driven by characteristics of the actor and his or her ability to discover and use contingencies
Competencies employed	Excellent at exploiting knowledge	Excellent at exploiting contingencies
Context of relevance	More ubiquitous in nature More useful in static, linear, and independent environments	More ubiquitous in human action Explicit <i>assumption</i> of dynamic, nonlinear, and ecological environments
Nature of unknowns	Focus on the predictable aspects of an uncertain future	Focus on the controllable aspects of an unpredictable future
Underlying logic	To the extent we can predict future, we can control it	To the extent we can control future, we do not need to predict it
Outcomes	Market share in existent markets through competitive strategies	New markets created through alliances and other cooperative strategies

In her bid to further delineate her concept of effectuation from general literature on entrepreneurship, Sarasvathy presents five principles that would contrast the effectuation process from that of causation. They are: (1) novelty outcome, rather than preselected outcome (2) affordable loss, rather than expected returns, (3) strategic

alliances, rather than competitive analysis, (4) exploitation of contingencies, rather than preexisting knowledge, and (5) control of an unpredictable future, rather than prediction of an uncertain one.

Through further studies and experimentation, Sarasvathy (2008) would expand on her work and offer a deeper understanding of the five principals, details of which is provided in the next section.

### ***2.2.3. The Five Principals of Effectuation***

In 2004, Sarasvathy carried out experiments in order to examine questions seldom discussed in the scholarly world of entrepreneurship. She wanted elucidation to questions such as: how, why and what triggers lead an entrepreneur to pursue entrepreneurial ventures over other alternatives including secured and paid employment? How does an entrepreneur meet committed stakeholders? Are committed stakeholders self-selected or solicited? How did the entrepreneur's network grow over time? How clear or ambiguous were the entrepreneur's vision and aspirations during the lifespan of the project? Were these goals and aspirations solely his or were they woven together with those of key stakeholders? Does contingency play a role? If so what role did it play as opposed to luck? What kind of information or studies does an entrepreneur rely on to achieve his desired objective? How does the entrepreneur exploit such information?

With these research questions in mind, Sarasvathy selected for her experiment twenty seven expert entrepreneurs from various industries and with over ten years of entrepreneurial experience. The entrepreneurs were asked to think aloud as they solve ten typical decision problems they would normally encounter in a start-up. Then,

through a semi-structured interview, they were asked to talk about the decisions they had made with their respective enterprises.

Sarasvathy then set out to study commonalities and differences between each entrepreneur's decision making processes. Moreover, she aimed to establish how each entrepreneur dealt with non-existent or not-yet-existent markets by categorising their decisions under three types of beliefs with respect to predicting the future: (1) The belief that the future is predictable and can be measured by analysing available information before making a rational decision; (2) the belief that future is highly unpredictable but that it can be studied through experimentation in order to continually develop better techniques to estimate probabilities of different outcomes; and (3) the belief that the future is highly unpredictable and impossible to measure, leaving the decision maker to observe the environment and build consensus among stakeholders with the aim of controlling and shaping the future rather than predicting it (effectuation).

Sarasvathy cites Frank Knight (1921) as inspiration behind these three categories. Knight had observed three types of uncertainty: (1) future with a known distribution and an unknown draw, (2) future with both unknown distribution and unknown draw, and (3) future that is simply unknowable and immeasurable. Concluding her study, Sarasvathy found that the majority (>63%) of her subjects employed effectual logic more than half of the time (>74%), suggesting that commonality in decision making among entrepreneurs does exist. Furthermore, entrepreneurs were able to apply causal logic in later stages of their enterprise, suggesting that effectual logic is useful in the early stage of an enterprise, while causal logic is useful in the latter stage. She also believes effectuation is not limited to those

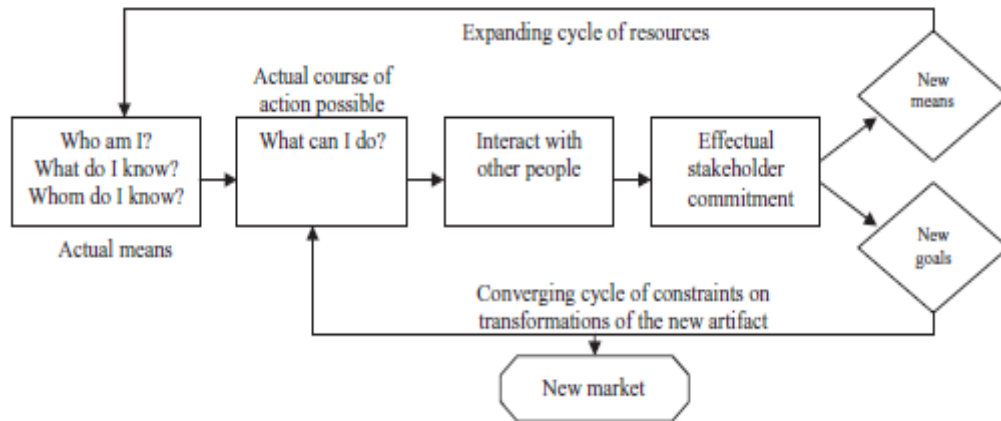
with experience, and that the process can be used in any domain since it is a logical course of action in face of Knightian uncertainty. For this reason, she believes that effectuation is teachable and learnable.

With data strongly supporting her case for effectuation, Sarasvathy went on to observe and describe three dimensions of the effectual problem space where effectuation should be employed: (1) Knightian Uncertainty (the future is immeasurable); (2) goal ambiguity (preferences are neither given nor well ordered); and (3) isotropy (it is not clear what elements of the environment to pay attention to and what to ignore).

Effectual logic is a logic of design and is therefore able to satisfy these three dimensions because it is non-predictive (no space for measuring probability of outcomes), non-teleological (preferences and goals are changeable), and non-adaptive (environment can be shaped rather than be fitted or adapted to).

Having established the importance of effectual logic in creating new firms and markets, Sarasvathy offers in-depth insights of the five solution principles that embody the effectuation process. She observes that the entrepreneur begin by first identifying who he is, what he knows and whom he knows before taking action and interacting with other people. Understanding his limitations, the entrepreneur then focuses on what he can do rather than what he ought to do. As his project takes shape, some of the people he speaks to become interested in his project and offer additional resources in return for a stake in his enterprise. Backed with more resources, the entrepreneur is able to produce more effects and thus can pursue new goals. As his network grows, the project matures and as a result fewer changes can be made as his final goals are more or

less in sight. Finally, the entrepreneur and his network converge to create a new market and a new firm. Figure 2.1 illustrates this process graphically.



athy & Dew, 2005)

The above process incorporates the five solution principals which represent decision making techniques that the entrepreneur can use to cope with uncertainty. By doing so, the entrepreneur can reduce the use of predictive strategies, enabling him to exploit contingencies and thus remain open to changes. Detail of each principal is presented below.

(1) - **Bird-in-Hand Principle**: this entails the imagination of possible effects from available resources and means, as illustrated in the above example of the effectual chef who searches through his cupboards for ingredients before deciding on a concoction to

cook. This is starkly different to the causation process which involves the chef preselecting a meal and then shopping for the right ingredients. Figure 2.2 illustrates the difference between the two processes with respect to the first principal.

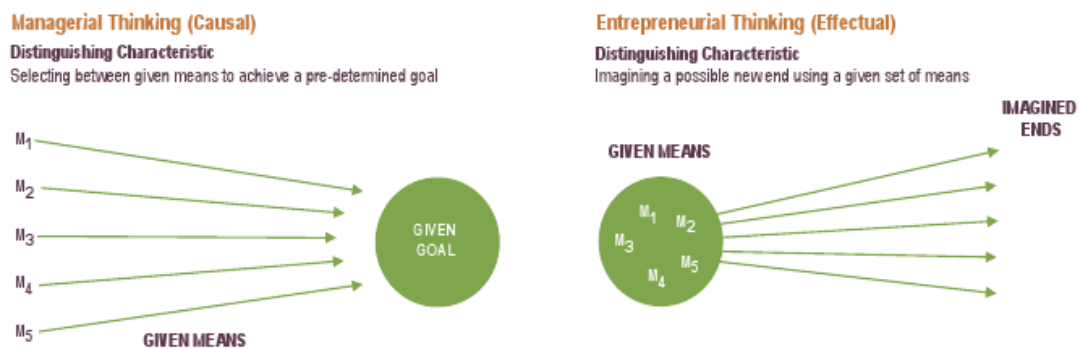


Figure 2.2. Causal versus effectual Reasoning. Retrieved from [www.effectuation.org](http://www.effectuation.org)

Entrepreneurs' given means are subdivided into three general categories: (1) their identity (who I am), (2) their knowledge base (what I know), and (3) their social networks (whom I know). Sarasvathy (2008) cites Shane (2000) and Wiklund and Shepherd (2003), who stress the importance of prior knowledge in creating new firms and markets, as supporting literature for category 2. As for category 3, she cites the works of Hite and Hesterly (2001) and Uzzi (1997) who discussed the importance of social networks in entrepreneurial action. However she states that the role of the identity of the entrepreneur has been largely unexamined and merits deeper scrutiny. Expert entrepreneurs often attribute their success to who they are fundamentally and usually neglect the forces, however significant or superficial, that have shaped their identity over the years. Our identity consists of preferences for how we would like to

act with respect to achieving our objective. For example, if the objective is to make a million dollars, some individuals would find dishonest ways to achieve prosperity while others would behave ethically. In the case of effectuation, the outcome is not predictable, meaning that every decision maker will have a different preference on how to proceed. In some cases, a decision maker might have to generate a new preference when faced with a situation he had never encountered before. For example, he might have to choose between accepting a much needed investment offer in return for a controlling stake in his company or declining the offer in the hope that he might find other means to move forward. The decision maker may decline the offer because he discovers that he prefers not to have to report to someone. Our identity allows us to decide between two conflicting preferences and guides us to making important strategic choices.

(2) - The Affordable-Loss Principal: Causal models focus on maximizing profits while effectuation models require the determination of how much one is willing to lose to see the venture through. Having limited resources will force the entrepreneur to come up with creative ways to achieve objective in as little costs as possible. Moreover, to limit risks, the entrepreneur is likely to take on outside stakeholders who would be able to commit additional resources to the venture. This differs quite starkly to causal logic, which entails calculating probabilities of success/failure and expected return before deciding on what resources to allocate.

(3) - The Crazy-Quilt Principle: Causal models include studies such as Porters five forces analysis with the purpose of studying competition and developing a strategy. Effectuation focuses on alliances and obtaining precommitments from stakeholders in a move to reduce risk and uncertainty whilst also erecting entry barriers. Effectuation also



encourages active participation from committed stakeholders in improving and shaping the venture. Sarasvathy observed how expert entrepreneurs sought to build partnerships including bringing customers into decision making process from the start of the venture.

(4) - The Lemonade Principle: Causal models do not account for contingencies because they focus on predetermined goals or take measures to avoid the unexpected.

Effectuation models differ in that they look to exploit contingencies, treating them as opportunities. For example, craters left in the wake of American B-52 bombers during the Vietnam War were transformed into fish ponds by Vietnamese farmers, whom ordinarily would have had to spend on tools and labour to create. Rather than view negative contingencies as obstacles, effectuators view them as a source of opportunity for value creation.

(5) - The Pilot-in-the-Plane Principle (Non-Predictive Control): Control over the future is the main objective of both causation and effectuation processes. However, causation seeks to control aspects of what can be predicted from an unknown future. Effectuation, on the other hand, seeks to control aspects of an unknown future; it is solely interested in shaping the future rather than predicting it. Effectuators use mostly prior knowledge and experience as a base for their initial decisions, and iterate through interactions with various stakeholders. To illustrate this point with an analogy, causation can be compared to an automated ship equipped with sophisticated trajectory system; it will navigate to its target destination taking the most efficient route but will fail to deal with contingencies such as icebergs or typhoons, for which it did and could not take into account. Effectuation is a ship that is manually navigated by the captain; the captain may take longer than his automated counterpart to reach his destination, but will have full control over the same contingencies and can decide on alternate routes.

Sarasvathy's powerful concept of effectual logic generated major interest not only from social scientists but also from the broader academic community. In the section below, I provide an overview of extant empirical research carried out in this area.

### **2.3. Extant Empirical Research**

Since the introduction of Sarasvathy's effectual constructs, several scholars have built on her theory and have offered numerous hypotheses, most of which are beyond the scope of this paper (for a concise summary of all related research, please refer to the introduction of Chandler et al (2013) paper titled *What is the appropriate dependent variable in effectuation research?*). For the purpose of my study, I shall set my sight on empirical work in relation to entrepreneurial practice, of which, regrettably, few exist to date. Below are some major contributions in this area.

Chandler et al (2009) carried out field studies, from which data collated was used to measure the degree with which entrepreneurs applied causal or effectual logic in their endeavours. From their findings, they were able to validate Sarasvathy's assertion that causal logic is not usually applied in situations characterised by high uncertainty, while they found the opposite to be true for effectual logic. Furthermore, their results showed that obtaining precommitments, an important step in the effectuation process (as part of stakeholder commitment), is also evident in the causation process.

Fisher's (2012) carried out six case studies based on multiple data sources, the primary being transcripts of semi-structured interviews originally intended for a *book titled Founders at Work*. Drawing themes and patterns from the interviews, Fisher found that none of the six established firms he studies owed their existence and success to behaviours associated with causation. This discovery backs Sarasvathy's (2001)

assertion that causation and effectuation are both integral part of human reasoning and can work simultaneously.

More recently, scholars have called for context to be explored for entrepreneurship. In the next section, I have highlighted two scholars leading the charge for context to be explored in future studies.

#### **2.4. Context – A Suggested Area of Research**

Zahra & Wright (2011) and Welter (2011) have called for the study of context in order to understand its implications on entrepreneurship. Entrepreneurial behaviour and activities can be better understood if we understand within what context they occur. Welter posits that context such as history, time, space and society plays a major role in both providing opportunities and setting boundaries for entrepreneurs. For example, the driving ban imposed on women in Saudi Arabia prevents them from pursuing any venture where driving is essential (e.g. starting their own delivery service); hiring or depending on a male counterpart to deliver goods may add financial constraints that may render the venture financially unviable. Alternatively, if a Saudi woman comes from a supportive family, she may count on her male siblings for support; in which case, the opportunity to pursue her venture is still possible. This example serves to illustrate how institutional and social context can affect entrepreneurial undertakings. Furthermore, Zahra and Wright (2011) argue that understanding the effects of context, in particular institutional context, on entrepreneurial activity can pave the way to public policy debates and amendments that would improve entrepreneurs' chances of success.

Citing Whetten (1989), Welter discusses the diverse and multi-faceted nature of context, drawing attention to the 'where' and 'when' dimensions of context and its impact on the 'who'. The 'who', Welter argues, is not a context but rather a byproduct

of context; although many would argue that once we have a better understanding of the different genetic predisposition that exist, the 'who' can eventually be studied as a distinct context in entrepreneurship. Welter distinguishes the 'where' dimension into four main types of contexts: business, social, spatial, and institutional; details of which have been provided below.

The 'when' dimension is embedded within each of these contexts; they include temporal and historical contexts which, as their names indicates, change over time or was a one-time historic occurrence. For example, institutional context such as regulatory policies change over the course of history.

(1) – Business Context: this refers to business and industry practices, and market trends. Successful entrepreneurs adapt to business context by forecasting market trends and lifecycle of industries, analysing competition, and generally knowing when to avoid industries with high barriers to entry.

(2) – Social Context: entrepreneurs are embedded in social structures and social relations (Granovetter, 1992, 1985), and do not start in a vacuum, rather they are influenced by the people they are exposed to: friends, families, colleagues, or even by one-time encounters (Aldrich & Zimmer, 1986). Social context includes both household and family context and social network context. The latter represents the social network that an entrepreneur can draw on for financial assistance, new information, support and encouragement, and access to markets and clients. The entrepreneur's social network serves as an important resource with which to discover and exploit opportunities, whilst also limiting liabilities. Household and family context also plays an important role in shaping the identity and preferences of an entrepreneur. For example, an individual whose parents are religiously conservative is likely to be influenced by their beliefs and

is unlikely to pursue a venture in, say, the gambling industry for fear of reprisal or disappointing his parents. In contrast, if an individual has poor relations with his parents, then this context may prove to have little influence over his future endeavours.

(3) – Spatial Context: this dimension refers to specific geographical contexts that influence an individual's identity and preferences. For example, two communities of the same origins living in two different countries can develop different preferences and beliefs over time as a result of being exposed to different locations and cultures. Furthermore, the gender aspect of spatial context also plays an important role in behaviour. For example, women receive different type of attention in different areas of the world. To illustrate this gender aspect of spatial context, Welter borrows an example from Berg (1997) who observed how Ukrainian businesswomen were able to use their female identity to receive preferential treatment from administrative bodies who viewed them as a weak and inexperienced subset of the population with respect to running business affairs.

(4) – Institutional context: this refers to the societal, political, and economic climate entrepreneurs find themselves in. This context includes both formal and informal institutions that set the rules of what is possible and what is not. Examples include legal and regulatory frameworks, societal norms and attitudes, and public infrastructure. Moreover, deficiencies in institutional context are known to restrict or even create opportunities. This can be illustrated using Lebanon as an example, where ubiquitous power cuts have hampered businesses across various industries, but has also created opportunities for enterprising individuals to sell power generators and uninterruptible power supply (UPS) batteries to compensate for the government's inability to meet energy demands.

This study will draw on each of the contexts discussed above in order to evaluate, first, which type of context influenced the behaviour of each of my five subjects and, second, to what extent did context play a role in creating or destroying opportunities for them. However, a good analysis requires that we capture essential data, which can only be achieved through an appropriate research approach. In the chapter that follows, I have provided details of my research design and methods, including why I believe the approach I have set out to collate data is critical in exploring and explaining entrepreneurial practices.

## CHAPTER III

### RESEARCH DESIGN AND METHODS

In this chapter, I will first provide a rationale for my research design followed by a detailed explanation of how I intend to approach this research and why I chose a focused and semi-structured interview protocol to collect data. I will end this chapter with a brief discussion on both the process and parameters with which I chose my subjects, and provide further details on my research instrument.

#### **3.1. Rationale for Research Design**

This paper is an exploratory field study on situated practices of entrepreneurs in the Middle East and as such I will not present a formal hypothesis to test. My research design follows the approach of inductive reasoning first championed by 18<sup>th</sup> century Scottish philosopher Hume (Problem of induction, 2014), who argues that humans establish facts by induction rather than by reason. This is because facts such as, for example, the relationship between the kinetic energy and expected trajectory of two balls colliding has to be repeatedly observed before we can induce a relationship that will hold. We can then induce that this relationship can be applied or adapted to objects other than two balls colliding. To put it simply, we can only induce causal relations through observation, which we then rely on to make predictions.

I believe inductive reasoning or a bottom up approach is suited to an exploratory field study. In the section below, I provide more detail on how I intend to approach my research.

### **3.2. Research Approach**

By applying a bottom up approach to my research design, I plan to first carry out case studies through focused interviews on a number of established entrepreneurs. Data collated from the interviews will be examined and analysed to see what commonalities and differences exist between my subjects. Furthermore, the data will be examined to understand the role context played in my subjects' behaviour and activities. This information will then be translated into a decision making process which I intend to present at the end of this study.

### **3.3. Subjects: Nascent/Experienced Entrepreneurs**

Entrepreneurs chosen for this study had to meet the following two criteria: (1) they must have already plied their trades for a number of years, but not too many to suggest they had long forgotten or detached from their humble beginnings, and not too few to imply that they have yet to master the art of entrepreneurship, and (2) they must have reached an inflection point with their respective enterprises; this allows me to associate their actions with positive performance, and to ensure consistency in comparison studies.

Furthermore, I had to ensure that my sample is large enough and representative of the population of entrepreneurs; otherwise results are likely to be skewed and less relevant.

I had initially selected six entrepreneurs from the following industries: Agriculture, Finance, Telecommunication, Software, Publishing, and Advertising. Regrettably, one subject who hailed from the telecommunication industry was discarded from the study due to technical problems in relation to the recording of the interview. I was therefore left with a final pool of five subjects.



### **3.4. Research Instrument**

The research instrument is a questionnaire composed of thirty seven questions designed to extract the following three aspects from the subjects' entrepreneurial experience: (1) his identity with respect to his venture, (2) his decision making process, and (3) the context in which he made these decisions.

The questionnaire was employed through a focused semi-structured interview which encouraged two-way communication whilst providing the interviewee with the freedom to express his views. Likewise, this method provided me with the freedom to discuss sensitive issues, to explore deeper into areas of interest, and to direct questions to new areas. The interviews lasted approximately between 60 minutes to 105 minutes, two thirds of which was allocated to acquiring a deeper understanding of the entrepreneur's background, preferences, and interests.

### **3.5. Data Analysis Protocol**

Qualitative data collected from interviews will be analysed with the aim of drawing common themes with respect to entrepreneurial practice and context. Based on my findings, a process diagram will be provided to illustrate the decision making process observed. The process will be compared to both Sarasvathy's dynamic model of effectuation, and themes drawn from my findings will be compared to the five constructs of effectuation. Finally I will offer a tentative hypothesis for further testing.

## CHAPTER IV

### CASE STUDIES

#### **4.1. Cash United**

##### ***4.1.2. Company Profile***

Cash United was founded in 2001 by Mr Philippe Dagher, with the aim of representing MoneyGram in the Lebanon. Cash United's headquarters is located in Beirut, Lebanon, where it continues to provide various financial services and products through its agents, of which over 460 exist. Its services include international money transfers, mobile and internet recharge, bill payments, and insurance products. Since 2001, the company incurred losses in its first four years, after which it had witnessed improved financials, and eventually reached inflection point in 2012.

##### ***4.1.3. Background of Entrepreneur***

Philippe Dagher was born in 1971 in Lebanon shortly before the outbreak of the Lebanese Civil War, during which he spent most of his childhood and adolescence. Unknown to Dagher, the war would later have profound effects on both his personal and professional life. Due to the uncertainties and risks brought about by the war, Dagher and his family had moved from place to place in search for better security. During the early stages of the war, Dagher recalls that he used to walk across areas exposed to sniper fire; this experience would highlight the existence of danger which would mark him forever. Later, he and his family would move to a closed community resort called Aqua-Marina, where he would spend 2 years (from around the age of 8) being home-schooled by his parents and by older children from other families and backgrounds. Life at Aqua-Marina mimicked that of a commune, whereby inhabitants

chipped in and took responsibility of others; Dagher recounts how he was sometimes responsible for younger children. This period in his life instilled in him a sense of responsibility for others that very few children his age normally experience.

Another consequence of war which would have a deep impact on Dagher was the volatile fluctuation of the Lebanese Pound versus the U.S. dollar, to which he took a huge interest that has never abated to this day.

*“I understood that because of what was happening around me and people had lost a lot of money by keeping their Lebanese pounds versus the dollar because the inflation of the Lebanese pound..... I used to go around exchange shops at the age of 11 or 12 and ask them for the exchange rate and compare (them to each other), and I would negotiate the price etc...”*

Years later, Dagher would continue his studies in France where he would complete his baccalaureate, during which time he took on several jobs: salesman at a clothing store, doorman at a hotel, salesman for Canon France, and selling watches on his own account. He continued working during his marketing studies at the University of Paris Descartes, whilst also prospecting work in currency exchange companies. During this period, Dagher noticed that the exchange market was loosely regulated and was therefore open to private firms. By chance, he would later bump into a friend who worked at a reputable exchange company, which Dagher would eventually work for after his friend offered to forward his CV. Dagher’s love for the exchange markets remained strong as ever.

*“I was very curious to see how currency exchange offices worked, so I used to stop by each one of them and compare prices, and by comparing their rates, I realised that it’s a liberal market and its not regulated, prices are free.”*

After obtaining a work permit, Dagher began work as a currency exchange officer whilst also managing with his university studies which he duly completed. Upon graduation, Dagher continued working until he decided to resign in order to open his

own exchange company in France called ‘Master Change’ in 1993. Through the Master Change website (which he called Cash United), Dagher would arrange delivery of currencies to individuals living outside cities, where currency exchange offices were few and far between. However, due to the limited number of transactions, his business could not sustain itself. Consequently, Dagher decided to collaborate with travel agencies, whom he offered to add his currency exchange tool on their website, allowing travelers to purchase currencies directly from the travel agents’ websites. With Cash United gaining popularity, Dagher accepted an offer to sell the online entity of Master Change, and decided to take the ‘Cash United’ name back with him to Lebanon, where he was planning his next business venture.

#### ***4.1.3. Start-Up Stage***

Following his Master Change’s success in France, Dagher decided to return to Lebanon where he planned to apply his knowledge and skills in the money markets in order to open his own business. In 2001, he founded Cash United, whose sole purpose was to represent MoneyGram, a reputable global money transfer service which had no market presence in the country. He prepared a feasibility study from which he had concluded that he would be required to set aside a budget for two years during which he did not expect to be profitable. The study also enabled him to decide on a strategy to best penetrate the market with limited funds. Having a conservative attitude from as young as 5 years old, Dagher did not focus on how much money he would make from this venture, nor would did he have in mind how much money he was prepared to lose to see his business succeed. However, he carried out P&L analysis to ensure that the venture is at least viable.

*“I made lots of P & L analysis, feasibility studies to make sure I would not be losing money.” ..... “I had two years of loss which I had put up, I did not have a set number*

*of years to last before breaking even or making money, I projected two years of losses and I was working towards it. The amount of money I had for it has been exceeded so it wasn't a definite figure I had in mind."*

With only his lawyer by his side to help him with the legal structure of Cash United, Dagher went it alone and opened an office in Dawra, which would act as both Cash United's headquarters and its first point of sale. After carrying out a haphazard survey, Dagher chose Dawra as his initial point of contact because it was a popular area with expatriates, whom he believed were the segment of the population that would require his services. He would spend minimal money throughout the launch, choosing friends to help him decorate and painting the office. At this stage of the business, Dagher had faced a lot of uncertainties including barrier of entry, limited funds to market his service, and licensing requirement from the central bank.

*"There were a lot of uncertainties, they included competition, I did not have enough money to invest in marketing so I was not certain I'll get through to the customers within a reasonable amount of time, I needed to get through the license requirements of the central bank."*

Western Union, a reputable global money transfer service, had been operating in Lebanon for years and was Cash United/MoneyGram's main competitor. The difficulty Dagher had faced was that MoneyGram was unknown to the public.

*".....money gram was totally unknown to the public year, whether I marketed cash United or money gram it would not have made any difference to the public."*

Within the first year of operation, Cash United grew from a team of two to a team of four. However, within a short period of time, he was aware that for Cash United to succeed, Dagher had to introduce additional financial services to his repertoire.

#### **4.1.4. Growth Stage**

In 2003, Dagher decided to collaborate with several financial agencies in order to increase his breadth of services that he felt would add value to his end-consumers,

and that would help gain more market share. These included: stored value debit cards through CSC Bank SAL, insurance products through Allianz, and classified ads through a website portal. Additionally, Dagher increased his network of point of sales locations by partnering up with several vendors whom would act as Cash United's sub-representatives. Each representative would have systems set up at their location and would receive appropriate training that would enable them to offer his services on a profit-sharing basis.

Working in Lebanon, Dagher faced several challenges including unethical competition and poor legal infrastructure. Understanding that one could do little to change business ethics in the country, he chose to ignore the former, and decided to focus on overcoming the latter by setting up a rigid legal process which would enable him to better protect Cash United from liabilities.

Over time, Cash United would continue to grow to a team of 20 employees and have a network of over 460 point of sales, through which more services were offered including bill payments, internet and mobile top-up services, and loan paybacks. Cash United's growth would captivate interest from various investors, one of whom (Group Saradar) would later purchase a majority stake of the business.

*"Last year, I saw the majority of my company to group Saradar, because I want to make sure that this business, looking more and more from a compliance perspective, from her legal perspective, from commercials standing point, like a bank's business, I took this decision to make it more sustainable."..... "Starting the same business today would have been much harder because of how much more advanced the competition has become and that's one of the reasons why I partnered with group Saradar, it was the right strategic move within the environment of competition."*

Dagher would note that much of the future success of the business relies on new technologies, which could help Cash United differentiate itself from its competitors with less deployment of resources. Such technologies include payments

through mobile applications and the internet, which Cash United are looking to develop further.

## **4.2. Eastline Marketing**

### ***4.2.1. Company profile***

Eastline Marketing was founded by Mr Marc Dfouni and Mr Nemr Badine in 2006, and was one of the first companies to offer digital marketing services in the Middle East. Eastline headquarters is located in Mansourieh, Lebanon, from where it provides services to its local, regional and international clients. The company has also recently opened an office in Riyadh, Saudi Arabia, where it aims to form stronger relations with its Saudi clients.

With the ultimate objective of increasing its clients' brand awareness, brand loyalty, and sales at lower marketing costs, Eastline provides its clients with a wide-range of effective digital marketing services including Social Media Marketing, Search Engine Optimisation, Paid Search Marketing, Online Advertising, and e-PR. Eastline leverages off its industry expertise, which it had acquired over the years, in order to provide its clients with customised strategy and solutions to meet its client specific needs.

Eastline is the recipient of the Endeavor Advocate Award for its contribution to the Endeavors mission of mentoring high-impact entrepreneurs, and the Webby Awards for its successful marketing strategy it had deployed on behalf of the site [www.lovelettersto thefuture.com](http://www.lovelettersto thefuture.com).

### ***4.2.2. Entrepreneur background***

Marc Dfouni was born in Lebanon where he had spent the first 8 years of his life before fleeing the war with his family. Dfouni would spend most of his life in

Canada, where he had studied and worked up till the age of 28, at which point he decided to return to Lebanon. Dfouni recalls that the environment he grew up in had a major impact on how he would see himself in relation to society. He grew up surrounded by successful entrepreneurs who had created their own businesses and made money out of them. From a young age, Dfouni's main ambition was to own his own business and make money. After graduating from school, he went on to study Management Information Systems in Business at Concordia University, where he would meet Nemr Badine, who would eventually become his business partner at Eastline Marketing. Upon graduating from Concordia, Dfouni pursued a Master's program whilst starting as a trainee at a telecom company where he would later rotate across different departments in order to get a better understanding of how the business is run. This experience would only cement his view that corporate environment was simply not for him. In 2003, he would later get the opportunity to work for an interactive web development company called BlueSponge Inc. that was run by his brother and his brother's friends. At BlueSponge, where would work for the next three years, Dfouni started off as a project manager before going on to become General Manager and Chief of Operation in his last year. The company grew very fast and was the recipient of many well-known awards in the North American continent. Witnessing the rising popularity of online marketing, Dfouni decided to leave BlueSponge and start Eastline Marketing with Badine.

Nemr Badine was born and raised in Lebanon until the age of eighteen. Like Dfouni, Badine would also grow up surrounded by entrepreneurs; however, he would also bear the brunt of the war throughout his childhood and adolescence. Following his baccalaureate, Badine moved to Canada to study electrical engineering at Concordia



University. During his studies, he found himself slowly shifting from electrical to computer engineering, and took some courses in computer science because of his fascination of web technology. Badine would go on to learn programming on his own which would later come to good use. Upon graduating, Badine joined Nortel Network's R&D division where he would work three years before joining LSI Industries for the next seven years. Badine's extensive knowledge lay in research and development, and feels more interested in product innovation from a technical perspective. With respect to personal transformation, Badine's professional career saw him change his research of focus from hardware to software; moreover, the knowledge and skills he had acquired over the years enabled him to phase out from full time employment status at LSI to consultancy status.

During all this time, Badine hoped one day to get Lebanon to where it should be on the map, and to help Lebanese however he can. He aspired to make a sustainable impact on the country and the wider region, which had long suffered from political instability and wars.

#### ***4.2.3. Start-up Stage***

Dfouni and Badine met at Concordia University and struck a friendship that would last to this day. The idea behind Eastline Marketing would come indirectly from a fellow student, who was making good money from affiliated marketing for Amazon and other websites. The process seemed simple to Dfouni: register as an affiliated marketer on Amazon's website, receive product links to market, post links on various websites and forums, and earn commission for each product sold through those links. Badine and Dfouni discussed taking up affiliated marketing as a hobby and making some change on the side. Once their first pay cheque arrived in the post, they saw the

potential of online marketing. Dfouni, who was working at BlueSponge at that time, decided to outsource any online marketing jobs the company would receive to an entity called 'Eastline' which he and Badine ran.

*“(Eastline) started in Canada unofficially. We started East line as an eastern servicing company for digital marketing in Montréal, we called it Eastline because (we were working in) Eastern America.....Montréal, New York, Boston.”*

Badine and Dfouni would continue servicing their clients for the next two years, until the two decided to quit their respective jobs and settle with their families back in Lebanon, where they saw an opportunity for Eastline to flourish. Up to this moment, both entrepreneurs had acquired and developed the skillset to build an online entity for any product or company, and required few resources to start with.

Badine claims that there was no spark behind the idea of Eastline Market, but rather the idea had developed over the years.

*“There was really no idea in the sense of a spark, we just grew into that. We acquired the skills set based on our past experience in marketing for eBay and Amazon and all that. Other companies and people around us saw the need for our services in order for them to market their products too.”.....” It still happens to this day, there is no real spark or idea, we always try to work from the market needs perspective, so we try to innovate to meet market demand, to meet market gaps and this is how were actually evolving.”*

Badine goes on to explain that the online marketing was still emerging in the early 2000s, and companies were satisfied with just having an online presence through their website. Eastline differed in their approach in that it viewed websites as a tool to generate more revenues. As such, Eastline would fill a gap in a market that had yet to have embraced the full power of the internet.

With Badine's technical expertise complementing Dfouni's business acumen, the future of Eastline looked promising.

The entrepreneurs prepared a business plan that would eventually change numerous times during the process of Eastline's evolution. In the absence of official market data and inconclusive data on the Arabic markets, Badine and Dfouni chose not to employ a strategy in their first year of operations, and decided instead to rely on their hunches and feedback from contacts and the market.

Eastline's headquarter offices in Mansourieh was basic at first and was chosen because it was offered free of charge for the first 2 years.

*“Well we had the place here (the office) that we could use. It was free for the first couple of years and we actually invested our own money. We had basics, we were only a team of two or three at the beginning..... We didn't have a big overhead. We're not operating an industry where you manufacture where you can have big overheads; we had 2 computers and internet connection. Then we took the Kafalat loan which helped us to fix the whole place.... that was in 2009.”*

Over the next few years, Badine and Dfouni would invest all of their money in the company; they were prepared to risk it all to keep Eastline going.

#### **4.2.4. Growth Stage**

The Kafalat loan would also serve to grow the company. Funding would be split three ways as follows: (1) operating expenses needed to grow the company, (2) marketing expenses, and (3) R&D expense; Eastline now had a dedicated team whose role is to innovate and introduce new products to the market.

As Eastline took on more projects, Badine and Dfouni would learn from client feedback and from results they were achieving from online marketing. They began to understand which channels or services worked better than others. They also had the benefit of servicing clients from different businesses and industries, meaning they would learn which strategies worked better for specific industries.

*“By dealing with different types of clients and different verticals, you get exposed to their business and in order for us to be able to market their product or their services, we need to understand how their business operates, we need to immerse ourselves.... So*

*actually all the feedback that we get ... one part of it actually understanding the different verticals that we are operating in, whether it is the retail business or the F&B business or the healthcare business..... this is very valuable for us to be able to shape our new technologies and platform and offerings. And it actually gives you the experience required to tackle other clients in the same industry. I think we owe most of our success to our clients.”*

Such was the uniqueness of Eastline in the region, Badine & Dfouni would receive three separate offers to sell their business since its inception, but turned down each one of them. They were also approached by firms that wished to collaborate with them, but also turned down each one as they felt they could develop any service a third party can offer.

*“There were a lot of different companies that were complementary to us when we didn't have the services, so for example the creative department, there were companies that wanted to cooperate or collaborate with us in terms of they offer the creative services and we offer the rest of them. But we didn't want at any point to cooperate because we thought we could do it ourselves, it is something we developed in-house.”*

By 2014, Eastline had grown from a team of two to a team of 30 spread over various divisions: online media department, search engine optimisation department, copyright department, technical department, account management department, social media department, creative department, R&D department, and the online strategy department. The 2008 world financial crisis would play an important role in Eastline's growth. As a result of adverse economic conditions, companies were forced to cut back marketing budgets and looked for more cost-effective channels to market their products or services. Timing turned out to be fortunate for Eastline, which was in the strong position to meet those demands.

Looking back, Dfouni points out that Eastline started off as a servicing company in 2006, and then shifted, thanks to mentoring they would receive from Endeavor, to both a services and product company by 2010. Badine explains a pivot they took with respect to how they serviced their clients. At first, Eastline offered

customised services whereby each project they undertook was started from scratch and customised to the clients' needs; later, the company would offer semi-automated solutions through a platform they had built that would require minimum intervention whilst still be able to offer the same services. This in-house platform would help Eastline maximize margins and profits and propel the company to new level of growth. Working in Lebanon did present many challenges for Eastline. For one, the country's internet infrastructure was poor relative to what they were used to in Canada. Second, there was a lack of awareness of online marketing. Third, since the online marketing was still in its emergent phase, there was a lack of education and consequently talent in the field. To address the issue of awareness, Badine and Dfouni ran seminars and conferences to highlight the importance of online marketing. Moreover, some professors had also recognised the trend and importance of digital marketing and took the role of ambassadors by taking the lead of including online marketing in their curriculum. The biggest challenge for Badine and Dfouni was to convince clients that their service would be of value to them. In order to build trusts with their clients, Badine and Dfouni would convince them to allocate a small budget to Eastline in order to prove to their worth.

Ultimately, Eastline's biggest challenge is adapting to the speed with which new technologies emerge, finding the right balance of what technologies to push forward and what the market is willing to accept.

Eastline have now expanded in the region, where it now serves clients in eight countries.

*"We've always had regional footprints through partnerships and resellers, but now we are physically expanding, and we're starting with an office in Saudi Arabia. The need for expansion is imminent."*

## **4.3 FOO**

### ***4.3.1. Company Profile***

FOO was co-founded by Elie Nasr and Ghadi Rayess in 2009. The company headquarters is located in Beirut, Lebanon, from where it offers services in mobile applications (mobile apps) development both domestically, regionally and internationally.

The year 2009 marked the beginning of the mobile apps boom, creating new market opportunities which both Nasr and Rayess had recognised and wished to exploit. Over the years, FOO has emerged as a leading provider of mobile apps where it has established itself as an expert, providing its clients creative mobile apps, interactive marketing, video streaming, and e-business solutions, over various mediums including PCs, cars, tablets, Smart TVs amongst others. More recently, the company has ventured into new areas such as Augmented Reality, 3D gaming, and is looking to explore the big data space.

Foo has been profitable since its inception, seeing profits increase year-on-year at an average rate of 30%.

### ***4.3.2. Entrepreneur Background***

Elie Nasr was born in 1981 in Jounieh and was brought up in Lebanon during the Civil War. According to Nasr, there were three major factors during his childhood experience that had moulded him into the person he is today. His first influence was his mother, who would play a big role in his upbringing; she would prepare him for life by teaching him never to give up, to think positively, how to succeed in life, how to think in a business way, and how to overcome difficult situations. His second major influence was his experience at the school of Ournet Shahwen, where Nasr would receive an

American style education which was promoted by the school's director, a businessman who hailed from the United States. His third major influence was the Civil War, which taught him the importance of family, how to survive through difficult times, and the importance of doing what you care of most.

During his childhood, Nasr would exhibit early signs of the entrepreneurial spirit. He ran different events during the Christmas period such as selling cupcakes, with the aim of distributing profits to the poor. Later, he would design an IQ test which he would charge a dollar for people to take, and had even convinced his mathematics teacher to force his students to take his test. His passion for computers would emerge early on in life when he found that he enjoyed hacking computers. He recalls once having posted school passwords he had managed to steal in order to demonstrate the vulnerability of the school I.T. systems. Towards the end of school, Nasr began experimenting with building websites, few of which he ended up running.

Nasr would later study Computer Engineering at the American University of Beirut (AUB), where he would discover himself. Nasr found he had no interest in computer hardware, spending little time on his studies, and focusing the rest of his time pursuing various ventures related to software solutions. Around 1999, Nasr ran a website in which he would post jokes on a daily basis. The site's mailing list grew to 7,000 subscribers, underlining Nasr's ability to muster interest in projects he worked on. He also recalls, along with his best friend, building a website portal for the AUB elections, which would allow candidates to upload their profiles for a \$100 fee.

It would be course in entrepreneurship that would encourage him to start his own business. As part of the course group project, students were asked to present a profitable business idea. Nasr and his team's idea of selling used books through a web

portal, which they had developed, proved to be the best idea in class. Nasr had wished to pursue this venture but due to lack of commitment from the rest of his team, he chose to drop it. During all this time, Nasr was making money on the side by building websites for various clients, some as reputable as the United Nations.

In his penultimate year, Nasr would join BMW in Germany for an internship, in which he would impress and would later be invited for another internship upon graduating. In his last year at AUB, Nasr and his team had received second prize in his final year project which was sponsored by Nokia, Eriksson, and Microsoft. Nasr and his team had designed a prototype of a bracelet that would monitor your movements and heartbeats, and would relay data to your phone. Nasr would later win first price in the first Microsoft sponsored entrepreneurship competition held in Lebanon. Nasr had come up with an affordable computer design that would cost no more than \$200 and that could be sold to developing countries. Nasr points out that Microsoft would build a similar computer 10 years later which it promoted in Africa.

Upon graduating, Nasr travelled to Germany to begin his second internship at BMW. Germany, he recounts, had taught him to take life more seriously and instilled in him the discipline he lacked before. His internship proved to be a success and was asked to stay on a permanent basis. His career at BMW would see him heading projects across Europe for the next four years, after which he had resigned from his position in order to move into a consulting position at Accenture, where he would manage projects across Europe for Vodafone.

Yet throughout all his time under employment, Nasr was never fully satisfied. Every morning he would wake up with the burning desire to start his own company. Nasr would contact his friend Ghadi Rayess on a regular basis to discuss the possibility



of starting their own business, but to no avail. One day however, Nasr would finally receive the phone call he had been waiting for all these years – Rayess was ready to leave his work and start a business with him. They had decided the name for their company would be FOO, but had not yet established what its purpose would be.

#### ***4.3.3. Start-up Stage***

Nasr gives credit to Rayess for kicking off the idea behind FOO. Rayess, who worked for the Lebanese telecom company MTC Touch, had witnessed firsthand the potential of mobile apps, and saw an opportunity to enter the market. He started working on an app called FOO-ME which Nasr would later help him build. FOO-ME turned out to be very successful and helped the company grow early on. FOO-ME was a location based app that worked as a guide for hotspots and events taking place in Lebanon, it also updated users with the latest news and allowed users of the app to communicate with each other across different operating platforms, much like WhatsApp does today.

The main drive behind FOO, Nasr explains, was to make a change and contribute to a Lebanese society that had long suffered at the expense of the long Civil War. Nasr wanted to recruit and develop Lebanese to counter the brain drain (intellectuals leaving Lebanon for greener pastures) that was occurring in the country as a result of the instability.

With respect to the future of FOO, Nasr points out that there were many uncertainties him and his partners had faced. First, Nokia had 70% penetration in Lebanon, and smart phones did not yet exist in the country. Within a few months, they felt that they should pursue a business in mobile apps. With this in mind, Nasr and Rayess went to pitch their business to Bader, an NGO that mentors and assists

entrepreneurs in finding angel investors. The pitch which took place in front of potential investors was not well received, and Nasr and Rayess were advised to drop their venture. However, Nasr and Rayess were not discouraged and continued to believe the future was in mobile apps. FOO-ME would eventually win the Arab Nets award, which Nokia took note of and would offer to promote the app on billboards everywhere. Nokia's support encouraged Nasr and Rayess to develop more apps. One app they created that enabled users to send secure SMS messages was later dropped due to national security concerns. Understanding the difficulty of attracting investments for a business that had no ecosystem at that time, Nasr and Rayess decided to raise capital by developing apps for clients, in particular Saudi clients. They would use profits from this service business to finance their own projects and ideas. In 2011, after much success with their mobile app service business, Nasr and Rayess decided to launch their own incubator department, where they would invite teams of developers to work on transforming ideas into innovative mobile apps. This was a learning process for both entrepreneurs, who realised that some ideas that work in Silicon Valley did not necessarily work in the region. In 2012, after filtering through many ideas, they chose to focus on two start-ups which they had launched within FOO, and which would later be a great success.

During this whole process, FOO would only choose to receive business advice from mentors interested in helping. With respect to getting advice other than business advice, FOO would turn to its clients for feedback and Google analytics, which they would depend on to improve and customise its products and services to satisfy client and market needs.

*“We didn't consult many people, because they didn't know what we were doing, but every time we built a mobile application we went and validated it, we interviewed*

*customers and we got their opinion on what they think, what they are using the most, do they believe in the application, would they use it, how often will they use it. We also had analytics, Google analytics hooked up to all of our apps and it gave us an insight of what is needed in the markets, of what is being used by the clients, how to build a mobile application, how to make it addictive, how to increase the stickiness....”*

#### **4.3.4. Growth Stage**

By 2014, FOO had long established its servicing business arm through which it continues to offer a wide range of solutions to its clients such as mobile apps, video streaming to name a few, and continues to support its incubator business arm through which it invests in transforming ideas into innovative products. The company had grown from a team of two would operate from their computers at home to a growing team of currently 35 employees that are located in office that could accommodate twice that amount.

*“Now we reached a phase where we have 35 employees, were structuring and were growing, we are going to grow bigger and bigger. Whenever we take an office, we take an office double the size of our team, because we know we want to bring it further and we know we have the capabilities of competing in the market and that we have the capabilities of delivering big time.”*

FOO has not the capabilities to compete with the market, evidenced by its growing client database which now included a number of multinationals including Heineken, for whom it had developed a 3D app game.

Currently, FOO have working on expanding its product offering to include cloud technology that would work across different operating systems, and big data analytics, which Nasr believes is the next big thing.

Looking back at business he helped build, Nasr recalls he only started with \$20,000, but that he would have been ready to put more money if required as he believes he would have spent everything in something he believed in.

*“As long as I know this is something I want to be in, as long as I know that it is something that will work, as long as I believe in what I'm doing I was ready to spend everything I had. But at that time I didn't need more than \$20,000.”*

Nasr did not believe in business plans and based his strategy on hunch and experience.

*“I don't believe in business plans, you build a business plan but you never follow it It's a hunch plus it's based on experience, it's a hunch that you based on experience, it's an educated intuition and you know that this is a sector that will boom, a sector that people are focusing on, this is a sector of importance. So it's a mixture of many things.”*

Nasr and Rayess received a number of offers from companies alike to collaborate with them, and an offer to sell the business. In all cases, they chose not to pursue any of these avenues as they felt that they were not aligned with their mission statement: to build the number one development company in the Arab World.

Working in Lebanon still presents many challenges for FOO such as the poor internet infrastructure, the volatile political situation, and the accompanying high level of brain drain, which Nasr believed was their biggest disadvantage since FOO's main asset was innovative and technically capable employees. Nasr accepted he had no power to influence the political situation, but with respect to the brain drain phenomena Lebanon was experience, Nasr would offer his employees cool and challenging projects in foreign countries in an attempt to convince them to stay with the company. With respect to the poor internet infrastructure, Nasr and Rayess had learned to build mobile applications that would require the minimum amount of data to operate. They did this by compressing data being exchanged and make it functional in off-line mode. This acquired knowledge would later open opportunities for FOO in Iraq, a country facing similar problems as Lebanon.

Mobile technology is the fastest growing industry, and FOO are now in a position to reap much of the benefits from this growing trend.

## **4.4. Green Studios**

### ***4.4.1. Company Profile***

Mr Jamil Corbani co-founded Green Studios with Marc Abi Haila, Oliver Wehbe, and Zeina Kronfol, in 2009. Green Studios' headquarters is located in Beirut, Lebanon and also has an office in California, United States. The company provides innovative solutions in landscape architecture and technology platforms including roof garden and vertical landscape (green walls) design and implementation, which is supported by its proprietary customised and automated hydroponic technology. Green Studios is the recipient of the MIT enterprise forum of the pan Arab region competition award for its innovation in the field of Green Walls and Roof Gardens (2011), and Lebanon best business of the year award (2012).

Since its foundation in 2009, Green Studios has witnessed greater demand for its products and services, leading to greater brand awareness and improved sales. Owing to this momentum, the company had reached its inflection point in 2014.

### ***4.4.2. Entrepreneur Background***

Jamil Corbani was in Lebanon in 1975 around the same time the Civil War broke out. He and his family left Lebanon for Ghana, where he would live and study for the next 5 years. He returned to Lebanon and lived in Mount Lebanon, where he continued his studies up until university where he studied economics. Spending most of his childhood in a village in Mount Lebanon, Corbani felt in contact with nature, and kept close ties with family and friends, but recalls having to stay indoors a lot of the time because of the war. For this reason, Corbani would wait impatiently for summer to end so he could go back to school where he would enjoy freedom once again. During this time, his father had ventured into real estate construction, and built a building with

his savings. Unfortunately this venture proved to be fruitless as his father was unable to sell any of the apartments. Corbani recalls that his family went through financial difficulties for a long period of time. However fortune would change for his father, who decided to launch a new business in agriculture around 1986. Corbani was puzzled as to why his father would go into the agriculture industry after having spent his career in business, food and beverages and other industries. His father explained to him that agriculture would always remain a defensive industry. From around the age of 13, Corbani would help his father with his business by carrying out duties such as merchandising, stock ordering, and many other chores.

After graduating from St Joseph University in Lebanon, Corbani left for France to continue his education; he would later attain a Masters in Economics at a French University. He admits to not have focused much on his academic studies, and felt his time in France was more of a period of independence and self-discovery. He decided to return back once he finished his studies after his brother had asked him to help out in the family business. From 1998 to 2007, Corbani worked in the family business, where he would show enthusiasm by coming early and leaving late every day. He had agreed with his father that he would work for 10 years in return for low wages and a 15% stake of the business. Due to differences with his father with respect to how the business should be run and a desire to do things his own way, Corbani left the family business. Looking back, he believes that 70% of what he knows now is owed to his experience working with his father. He would later discover how this experience would also take him to places he would never have imagined.

Corbani had no real plans after leaving his father's company, so he decided to leave for Dubai to join his wife, who was living with her family, in the hope of finding

work. There, he would spend the next three months living off his friend's couch whilst looking for work. He would not receive any interesting offers and would start to feel dejected, negatively impacting his confidence. As fortune would have it, Corbani was informed by a friend that an individual in Lebanon was looking for someone to launch a flower business called Exotica in Dubai. He would get the job, and within two and half years later he had established himself in the company. Around this time, Corbani would receive an offer from Microsoft to lead a project called virtual cities, an offer he would have most likely taken had it not been for his wife who decided they should go back to Lebanon. Returning to Lebanon, Corbani found himself once again with no plans. He had however discussed with his friend Zeina, a landscape architect working in Dubai, the idea of starting a new business together.

#### ***4.4.1. Start-up Stage***

Spurred by the idea of starting his own business, Corbani began researching the field of landscape and architecture. Around the same time, his best friend Marc, an architect by trade, had just lost a competition to the famous Jean Nouvel who had worked on vertical landscaping in Paris. Marc suggested to Corbani that they should team up and work on vertical landscaping, which he found interesting and technologically challenging. Corbani decided to narrow his research and would focus the next three to four months on vertical landscaping. He would then contact his friend Oliver, a plant expert and owner of a plant nursery, to discuss the idea and to see whether he would be interested in carrying out the necessary research.

Within a couple of months, Oliver, excited by the prospects of this venture, had asked if he could join as partner, to which Corbani agreed. In September 2009, shortly after agreeing to partner with Oliver, Corbani established Green Studios. At this point of the venture, only Corbani and Oliver were active members of the company; Marc had initially proposed the idea and offered free office space, while Zeina continued to work in Abu Dhabi.

Approximately four months later, Corbani and Oliver appear at exhibition where they would display their system, which was a basic version of what their system is now. A month later, Green Studios signed with Solidere, around the same time, Zeina would leave her job to join as partner. Corbani summarised this period as follows:

*“We came back from Dubai for a family thing, we had the need to do something, it was an instinct of survival, , launch a business, a lot of focus to decide what to do and then once we decided what to do I decided whom to recruit, we did not look at anything, the competition, not our financial means, nothing. We just focused on delivering the outmost product or technology with the means we had”.*

Green Studio’s system was so unique, that Corbani patented it in both Lebanon and the United States, where it also has an office. Corbani’s brother Karim would also play an important role in the success of green Studios. Karim, an agricultural engineer, helped recruit consultants in the field of hydroponics (a technique to grow plants without the need of soil) who would give valuable advice to Green Studios. Zeina’s experience in landscape designing added a new dimension to Green Studio, which now had two distinct identities: technological and design, thereby creating a high barrier of entry for competitors wishing to imitate Green Studios. Corbani points out that he had invested all his money into this venture, and that if he needed to inject more capital, he would find other means to fund it.



#### **4.4.4. Growth Stage**

With a team behind him, Corbani still had to contend with the fact that no market existed for his product. He understood that vertical landscaping was becoming a trend in the field of architecture, and he believed that if he shared his story with people, and demonstrate his product, he would create awareness and a market would eventually ensue.

*“In Lebanon there was no market, it was a dream for us to do it in Lebanon, now were thinking regional and global. But for us to establish ourselves as a company in Lebanon and create a market in Lebanon, we knew that the architecture field is growing to this trend. So we knew the market will come either now or in a month or in one year or whatever. If you just show this feature, talk about it, tell your story then you can create a market and awareness for it.”*

Corbani did not consider what returns he could expect from this venture, but seeing his partners had invested money in the project, he felt compelled to draw up a business plan in order to make forecasts. Looking back at the original business plan, Corbani points out that vertical landscaping accounted for only 20% to 25% of revenues, whereas it is now one of his core drivers.

Green Studios struggled with low level of cash flows for the first eighteen months of operations. Any money it would generate would be quickly reinvested in the company. Corbani applied a very conservative approach, cutting costs where possible whilst also avoiding taking out bank loans. By allowing Oliver to join the team, Corbani had managed to cut R&D costs entirely. Moreover, the nursery plant would also serve as a point of location for employee training. He would also save money on consultants, who were ready to offer their services for free such was their enthusiasm to be part of his project.

Green Studios had several challenges while operating in Lebanon such as electricity outages, water cuts. However, Corbani would use these contingencies to his

advantage by adapting his system to compensate for shortfalls in electricity and water. As a result, his hydroponic system evolved into a Smart System that would collate data from sensors that interact with the outside environment and would automatically instruct for more water to be pumped as and when necessary. Water cuts were circumvented through the use of additional pipes that would be connected to a water tank, while electricity cuts would be overcome with the use of a UPS battery as backup. This new system could now absorb as much water as required and would work in any hot country, opening opportunities for Green Studios in countries like Saudi Arabia, Australia, and Brazil. Moreover, thanks to the advent of mobile technology, the vertical landscape or ‘Green Walls’ installations around the world can now be monitored by Green Studios from a single location. According to Corbani, the application has many uses and can be sold to any company in the world.

Over time, Green Studios would receive more and more projects domestically and internationally, and is now looking to scale up to meet growing demand. Thanks to growing reinvestments, Green Studios can now assemble its own machinery in-house, thereby limiting third party liabilities.

## **4.5. Zawarib**

### ***4.5.1. Company Profile***

Zawarib was founded by Mr Bahi Ghubril in 2008. Zawarib, headquartered in Beirut, Lebanon, is the leading mapping and signage company in the Middle East. The company, which includes cartographers, data miners, researchers, and designers, works with both the public and public bodies to provide innovative mapping solutions to its

clients based locally and internationally. Zawarib's main objectives are to improve transportation and navigation and help drive tourism with its unique city map guides. Zawarib offers a wide range of services including map booklets that include trendy outlets and hangout hotspots, mobile application that includes an interactive GPS map, road atlas, town, city & rural maps, signage and maps for resorts, and public transport maps.

Since its foundation in 2008, Zawarib remained generally dormant until 2010, during which time Ghubril was working for Morgan Stanley London. Since 2010, Ghubril devotes all his time to his venture and took a more aggressive stance to grow Zawarib. As a result, the company posted losses in operations in 2010, 2011, and 2012. Zawarib reached its inflection point towards the end of 2012 and early 2013.

#### ***4.5.2. Entrepreneur Background***

Ghubril was born in Beirut, Lebanon, which he would eventually leave with his family to escape the war. Within the first fourteen years of his life, Ghubril would live in 6 different countries finally settling in London, United Kingdom.

From a young age, Ghubril was drawn to acting; he would put on shows, play different roles, and generally find creative ways to entertain people. He believes that having moved around so often during his childhood and moving from one school to another enabled him to quickly adapt to new environments.

In London, he would enjoy mathematics, but also recalls enjoying stories behind discoveries such as the history of chemistry and how the periodic table was created. After leaving school, he went on to study Engineering and Oxford University where he would follow his passion of acting and would perform with friends and put on shows.

After graduating from Oxford with a Master's degree, Ghubril worked at BSI, a Swiss bank, where he worked for two years before joining Daiwa Asset Management, a Japanese bank, where he worked for the next four years. His career would see him move from one bank to another; after working for Daiwa, he joined ABN Amro followed by a relatively short stint at a hedge fund, and then finally settled at Morgan Stanley where he would work from 2006 to 2010. During this period, Ghubril would also run his own production company, producing a number of theatre shows. He was not looking to make money from his first few productions; he produced them at his expense for the love of it. His last production, however, would be different as he had made plans to profit from it. It was a musical that would cost a lot of money to produce. Astute in financial affairs, Ghubril would raise capital through the issuance of shares. He would also go to drama school in the evenings to pursue his passion of acting; he credits this experience for having helped him improve his communication and presentation skills. In 2004, Ghubril resigned from his post at ABN Amro to start Zawarib in Lebanon.

#### ***4.5.3. Start-up Stage***

Zawarib was officially founded in 2008, but Ghubril started working on the concept as early as 2004. The idea behind Zawarib is a manifestation of two burning desires for Ghubril: (1) to reconnect to his city of birth, (2) to discover the city of Beirut and its hidden secrets. As a child, Ghubril would visit Lebanon in the summers with his family, but would be confined to two places that left him feeling alienated from his country of birth. Later, he would return in 1999 on his own and would discover that there was a side of Beirut he never knew, and became quickly attached to the city.

Zawarib was a both a hobby and a personal project that Ghubril undertook back in 2004. The idea of mapping the city of Beirut came about by pure chance. Ghubril had intended to start his own business in Lebanon and initially planned to establish a drama school or dance studio in Beirut. Several other businesses sprang to mind including real estate, and an export business through which he would deliver Lebanese products to Europe. Bahi would keep his options open and try to meet as many people as he could in a bid to establish what business venture he should pursue. Finding his way around Beirut turned out to be difficult for Ghubril, who would often get lost as he tried to make his way to meetings. It became evident to him that, after being wrong directed by locals, that he was not the only one who had no idea where he was going. It was this experience that would push him to draw a map of Beirut.

*“I had to go to so many meetings, so many people all over the town, and I had no way of knowing how to get there. ....I realised that no one else knows where these places are, it wasn't just me. When I'm walking or standing on the street corner, it happens still, there is no 10 min period not some car stops by and asks for directions. .... this was frustrating, and I wanted to know the truth and have it easy to get around. The book (map) was published because it seemed that it would help others..... ”*

While discovering the streets of Beirut, Ghubril would bump into a friend who would later introduce him to a Geographic Information System (GIS) company that produces satellite images from which it draws maps. Ghubril commissioned the GIS Company to start mapping Beirut and would begin detailing the map with help from municipalities and locals. Once the maps were completed, Ghubril collaborated with the Lebanese University of Beirut graphic design department and organised a competition in which the winner would get to design the maps including the cover of the book to be published. Ghubril would turn to another contact of his from the printing industry, and commissioned him to begin printing the maps. In November 2005, Zawarib launched the first detailed maps of Beirut which would eventually sell 30,000 copies, making it

the bestselling book published in Lebanon by a Lebanese published. In 2006, Ghubril joined Morgan Stanley bank in London but would travel back and forth to Lebanon following the war in Israel so that he can work with NGOs and help Lebanese get back on their feet.

In 2008, Ghubril officially registered Zawarib with the aim of turning it from a hobby into a professional enterprise. As it began as a hobby, Ghubril had neither prepared a business plan nor outlined a strategy for Zawarib.

*“....the first publication failed, it cost a lot more than brought in revenues, if I had done the business plan I would not have done it.”*

In 2010, Ghubril resigned from Morgan Stanley to focus all his energy on Zawarib. With his kitchen table as his office, he set forth on a journey to take Zawarib to next level.

#### **4.5.4. Growth Stage**

Ghubril's first agenda on the table was to organise a public launch and raise awareness of Zawarib. He proceeded to contact the press club who would offer him a room, a microphone and a mailing list of 300 journalists in return for \$200.

Ghubril recalls that he would not receive feedback for Zawarib as few understood the work he was undertaking. Lebanese culture emphasises on taking time to get from one place to another, and to socialise in between trips. Ghubril would discover that creating a market would prove difficult..

*“.....there is a lot to say about the lifestyle of locals who want to spend a long time to get from A to B, interact with lots of people on the way, asking directions, and calling and checking where they are and so on”*

*“it's not easy to create the market, .....we tried a lot of promoting it to locals, schools we did, some with scouts, we did talks at universities and so on and everybody appreciates the product.....but the use of its is still confined mostly to foreigners living here, or foreigners visiting here, or local Lebanese who visit.”*

Ghubril had to adapt to his environment, and began to target visitors to Lebanon. Soon after, Zawarib shifted its focus from atlas street maps that it aimed to sell to customised tourist maps and guides it aimed to sell to visitors.

Zawarib would start taking on projects not originally in its scope of work. For example, demand for signage, of which Lebanon lacks, was growing. As an established mapping and travel guide company, Zawarib was able to expand its offering and include signage services. To date, the company has worked with several beach and hotel resorts in setting up signage that would assist visitors in locating themselves and discovering local amenities. It is also working with the municipality of Beirut to place street way-finding signage and area maps in each neighbourhood.

*“We are working with all these places to promote them as ministries of tourism should. So we are becoming the information center for Lebanon's hip and trendy cool places that locals know, (but that) newcomers don't.”*

Zawarib has recently accepted a large project to implement its tourist mapping product in Istanbul, Turkey. Ghubril foresees that Zawarib will continue to grow to international cities beyond Beirut. He also foresees that mobile technology will play an important role in Zawarib's future, and is working to continually update Zawarib's GPS enables maps while also looking for new opportunities in this area.

## CHAPTER V

### FINDINGS

In order to best address the research questions presented in the introduction, this section will be divided into the following four subsections: (1) the effects of context on entrepreneurial behaviour and practice, (2) recurring themes identified from case studies, (3) comparison between findings and effectuation constructs, and (4) decision-making process based on observations and inductive reasoning.

In the first subsection, I will bring to light the different dimensions of context that appear to have played major roles in creating opportunities, in shaping my subjects' identities and behaviour, and in setting boundaries for their actions. In the second subsection, I aim to draw recurring themes from the case studies by categorising collated data into the following topics of discussion: type of entrepreneurial opportunity discovered and exploited, background of entrepreneur in relation to opportunity, uncertainties faced in relation to venture, forms of precommitments obtained, feasibility studies undertaken, and types of collaborations sought. In the third subsection, I will compare qualitative data from the study with each of the five constructs of effectuation in order to observe overlaps between the two. In the fourth and final subsection, I will adapt Sarasvathy's effectuation model to reflect the decision making process I had observed in my subjects.



### **5.1. The Effects of Context on Opportunities and Entrepreneurial Behaviour**

Context or a confluence of events appears to have played a major role in creating opportunities, in shaping my subjects' identities and behaviours, and in setting boundary for their actions. Table 5.1 illustrates the different types of contexts that were ultimately instrumental in each venture creation.

Had it not been for the Lebanese Civil War, that would eventually have major implications on the volatility of the Lebanese Lira/U.S. Dollar exchange rate, Dagher of **Cash United** would never have taken interest in currency exchanges, and Cash United may not have existed as a result. Furthermore, Dagher most likely would not have started his own currency exchange business in France had the industry been heavily regulated at that time.

*“I was very curious to see how currency exchange offices worked (in France), so I used to stop by each one of them and compare prices, and by comparing their rates, I realised that it's a liberal market and its not regulated, prices are free”.*

The experience and revenues he would receive as a result of running and eventually selling his company would influence his decision to launch Cash United in Lebanon. Finally, Cash United's early market entry into the Lebanese market appears to have been critical to its success. Had it entered any later, the company would have likely failed.

*“Starting the same business today would have been much harder because of how much more advanced the competition has become and that's one of the reasons why I partnered with group Saradar, it was the right strategic move within the environment of competition. If we were to start the same business today with the means I had back then, I would not have started the business.”*

**Eastline Marketing** may never have existed had Dfouni not been introduced to affiliated marketing by a fellow student at Concordia University. Affiliated

marketing began as a hobby for Badine and Dfouni, who would later see the potential of online marketing and decide to turn their hobby into a profession.

As Eastline ventured into Lebanon, it would soon learn how business context in Lebanon would weigh on its operations. As the first mover in digital marketing in Lebanon, Badine and Dfouni were forced to educate the market on the potential of online marketing. Moreover, Eastline would struggle to find talent to help grow its business since online marketing was not taught in universities at that time.

Finally, Eastline Marketing's eventual success in Lebanon owes much to the 2008 Global Financial Crisis, without which, companies would not have seen their marketing budgets cut and would therefore have continued marketing through the same old and expensive channels.

*"The crisis helped a lot because there was a major world crisis also in the region here, so budgets were shrinking, the advertising and marketing budgets were shrinking so they were looking for a more cost-effective channel to actually spend and deploy these budgets. So this also helped in our growth and it was actually one of the catalysts."*

**FOO** may never have existed had Nasr not enrolled in the elective course in entrepreneurship at university, where he would get his first taste of what it would be like to run his own company. His conviction to start his own business would be reinforced after winning a Microsoft sponsored entrepreneurship contest. Furthermore, FOO may never have entered into the mobile applications had Rayess, his eventual business partner, not been exposed to mobile technology at MTC Touch.

*"Ghadi (Rayess) shaped it (FOO), he was in the value added services (at MTC Touch) so he built a credit transfers stuff for touch so he knew that mobile apps are the next best thing."*

Finally, FOO was forced to adapt its mobile apps to the weak internet infrastructure in Lebanon. The apps were designed to run with minimal data exchange

required and also worked on offline mode. This would open opportunities in countries like Iraq, where similar internet infrastructure exist.

*“.....So whenever rebuild a mobile application, we knew that we had transferred the minimum amount of data and size as kilobytes in order to make it succeed. Because that was an environment where we lived in, so we always try to compress data being exchanged, we always try to work in an off-line mode. And now we are facing the same thing in Iraqi. So whenever we work in Iraqi, it's like working in Lebanon back in 2009 and 2010.”*

Corbani may never have launched **Green Studios** had it not been for his father's choice to enter the agriculture industry as a consequence of the Lebanese Civil War. Corbani would work for a decade at his father's business, gaining valuable experience and developing skills that would play a critical role in Green Studio's success.

*“.....but then in 86 or 87, he launched his own company.... It's an agricultural company, and I was thinking why an agricultural company, he was in business, in food and beverages and many other industries before, and he told me that no matter what agriculture will remain a defensive market.”*

While working in Dubai at a floral business, Corbani would have most likely accepted a job offer from Microsoft had it not been for his wife's insistence to return to Lebanon in order to raise the family. Understanding the lack of employment opportunities in Lebanon, Corbani found the conviction to start his own business, which, without the participation of certain individuals from Corbani's social network, would never have materialised.

**Zawarib** may have never seen the light had Gubhril not taken a year-long sabbatical during which he would visit, explore and develop a strong connection with Lebanon. Having a love for the arts, Ghubril considered establishing a drama school in Lebanon and would set up several meetings to discuss its feasibility. Given the lack of street signage and updated maps in Beirut, Ghubril would often get lost as he made his

way to these meetings. This frustrating experience would lead Ghubril to take on a personal project to draw updated maps of Beirut. A couple of years later, the war between Hezbollah and Israel would prove to be a turning point for him and Zawarib. Back in London, Ghubril felt helpless as he saw 'his' Lebanon in flames, and set his sights on establishing Zawarib as an entity through which he can contribute in any way he can on improving the lives of Lebanese. Finally, unaware that Lebanon is not a map reading culture, Ghubril was surprised to discover that domestic demand for much needed street maps was low. This would lead him to pivot and transform his street maps into tourist guides to fill help the gap the tourism infrastructure is unable to fill.

Table 5.1. A summary of the effects of context on entrepreneurship

Enterprise	Context Type	Context Description	Effect	Opportunities/Boundaries
Cash United	Business/Spatial	Lebanese Civil War leads volatile FX markets	Fixation on FX mkts	
	Institutional	Currency exchange industry deregulated	Low barrier to entry	Opened private company in France
	Business	Limited access to banks for expats	Increased demand for non-banking services	Stored debit cards and international transfers services
Eastline	Social	Introduction to affiliated marketing by a friend	Hobby	Begin own business in affiliated marketing
	Business	2008 world financial crisis	Corp. Budget Cuts	Increased demand for digital marketing
	Business	First mover in digital marketing in Lebanon		Lack of talent. Lack of market awareness
Green Studios	Business/Spatial	Lebanese Civil War, Family business in Agriculture		
	Social	Wife's demand to return back to Lebanon Social Network (friends and family)	Leaves job in Dubai Free R&D	Precommitments leads to the establishment of Green Studios
	Institutional	Electricity and water cuts	System failure	System customised to absorb more water, opportunity to sell system in hot countries
FOO	Social	Won entrepreneurship competition sponsored by Microsoft	Empowerment/self-belief	
	Business	Business Partner working in mobile technology		Insight into opportunities in mobile technology (apps)
	Institutional	Poor internet infrastructure	Slows down apps	Apps customised to run using minimal data, can now be sold in countries with similar internet infrastructure.
Zawarib	Spatial	Getting lost in Beirut Lebanon not a map reading culture		Unable to educate population to read maps.
	Spatial	Israel-Hizbollah 2006 war	Emotional ties to Lebanon	
	Social	Lebanese American University (Graphics Dept.)	Free map design	
	Institutional	Weak tourism industry		New product created to cater for tourists

## 5.2 Recurring Themes and topics of discussion

Themes from the interviews have been drawn and categorised into eight topics of discussion as illustrated in Table 5.2.. Each topic has been expanded in the paragraphs below, and commonalities and differences between the five subjects have been analysed and discussed in details.

Table 5.2. Summary of qualitative data based on 8 topics of discussion

Enterprise	Cash United	Eastline Marketing	FOO	Green Studios	Zawarib
Industry (Speciality)	Finance (Money Transfers)	Advertisement (Digital Marketing)	Technology (Mobile Applications)	Architecture (Vertical Landscaping)	Publishing (Mapping)
Opportunity type (Kirznerian / Schumpeterian)	Kirznerian (shortage)	Schumpeterian (Internet technology) & Kirznerian (Shortage)	Schumpeterian (mobile technology)	Schumpeterian (Green Walls)	Kirznerian (shortage)
Influence of context on venture creation (Weak/Moderate/Strong)	Strong	Moderate	Moderate	Strong	Moderate
Uncertainties (High/Medium/Low)	Medium (licensing, mkt. penetration, legal infrastructure)	High (Internet infrastructure, mkt. awareness, talent)	Medium (political situation, internet infrastructure, talent)	High (scaling up, technology)	Low (market education)
Feasibility Studies	Business Plan & Strategy	Business Plan No Strategy	None	Business Plan & Strategy	None
Background & Opportunity Link (Strong/Moderate/Weak)	Strong (prior knowledge & work experience)	Strong (prior knowledge & work experience)	Strong (prior knowledge & work experience)	Weak/Moderate (Agriculture exposure)	Weak (no prior knowledge)
Precommitments	Legal Advice	Free office for 2 years	Business Partner	Free Office & R&D	Funding Support
Types of Collaboration	Sub-representatives (agents)	Mentoring (Business Strategy)	Mentoring (Business Strategy)	Mentoring (Technology & Business Strategy)	Mentoring (Publishing) LAU (Design)

Two **types of opportunities** have been observed across the five enterprises. In the case of Cash United and Zawarib, an absence of a product/service in the Lebanese

marketplace has provided the two entrepreneurs with an opportunity to fulfill a market need.

Dagher of **Cash United** found that the market had enough capacity to accommodate another player. Western Union, the only major player in Lebanon at that time, had more or less monopolised the market. The presence of Cash United offered consumers more choice and competitive pricing. Moreover, Cash United would offer products that would address discrepancies in the marketplace by offering products such as stored value debit cards to Lebanese who are unable to open checking accounts.

**Zawarib** would offer a much needed updated map of Beirut, only to later discover that Lebanon is not a map reading culture, forcing him to make a 180 degree pivot and reinvent his product.

**FOO** and **Green studios** have discovered and exploited opportunities that would bring disequilibrium into the market. There can be little doubt of the impact or ‘creative destruction’ the mobile technology has brought to economies worldwide. FOO recognised the potential of mobile technology at a time when the mobile apps were still emerging, and positioned itself early enough to reap the benefits. Likewise, **Green Studios** recognised the growing trend of vertical landscaping in architectural designs, and has established itself as a leading provider of ‘green walls’.

Finally, **Eastline**’s offering is a mix of Schumpeterian and Kirznerian opportunity. Badine & Dfouni of Eastline first turned their attention to online marketing back in early 2000s as the industry was emerging. However, by the time they had launched their venture in Lebanon, online marketing had long established itself as powerful marketing tool for businesses in the developed world, yet the same could not

be said for countries like Lebanon where the concept of digital marketing has not yet been widely implemented or even understood.

In three out of the five cases, the **entrepreneurs' backgrounds** were closely related to the type of business venture they launched. Dagher of **Cash United**, Badine & Dfouni of **Eastline**, and Nasr & Rayess of **FOO**, all had worked in similar fields and had developed business-specific skills before launching their respective ventures. Corbani of **Green Studios** had spent a decade working in the agriculture industry and had developed certain skills that would help him make educated decisions, however vertical landscaping was new to him. Ghubril of **Zawarib** had never studied cartography, nor worked in mapping or publishing.

All enterprises bar Zawarib had many **uncertainties** with respect to transforming their vision to a reality. **Cash United** had concerns regarding licensing issues, how to penetrate a market with limited funds, and legal infrastructure to safeguard it from third party liabilities. **Eastline's** digital marketing depends on a strong internet infrastructure, which Lebanon does not have, and as such, it was uncertain how this would affect its performance. Moreover, digital marketing was a relatively new concept in Lebanon at the time of Eastline's launch. This meant that the market may not embrace changes to existing business processes; it also meant that finding and hiring talent would prove difficult. **FOO**, as with Eastline, was uncertain how the weak internet infrastructure would weigh on its survival. Also, the unstable political situation meant that the brightest Lebanese were leaving the country for better security and better paid job, which was a concern of FOO's since its employees are its biggest asset. Corbani of **Green Studio** was uncertain how scaling up would affect the company's identity and the spirit of its small team. Also, he was uncertain how the company would



keep up with the advances in hydroponic technology. Although Ghubril had no uncertainties with respect to his vision for **Zawarib**, he would later learn that the Lebanese market would not share his vision, forcing him to reinvent his company.

**Business plans** were prepared in three out of the five cases, however each entrepreneur would admit that their plans became quickly irrelevant as time passed by and served only as a point of reference. Ghubril believes that he would never have started *Zawarib* had he prepared a business plan.

*“the first publication failed, it cost a lot more than brought in revenues, if I had done the business plan I would not have done it.”*

All five entrepreneurs secured **precommitments** from third parties to help them launch their ventures. Dagher received legal advice from a close friend that would help him launch **Cash United**. Badine and Dfouni were offered free office space for the first two years of **Eastline**'s operation. Nasr would require commitment from his close friend Rayess before launching **FOO**. Corbani was offered free office space and was able to secure commitment from a friend to carry out research and development on behalf of **Green Studios**. Ghubril received a free interest loan with no repayment schedule from an interested party to help get **Zawarib** on its feet.

Finally, all entrepreneurs **collaborated** with third parties at one point or another in each of their respective ventures.

Dagher grew his point of sales network by collaborating with several agents who would represent **Cash United** in return for a cut. Badine & Dfouni, and Nasr & Rayess, received business mentoring and were given strategic advice to grow **Eastline** and **FOO** respectively. Corbani received both technical mentoring, with respect to hydroponic technology, and business mentoring to help grow the business. Ghubril

received mentoring on printing and publishing, and collaborated with the Lebanese American University who would design **Zawarib**'s maps for free.

The relationship between **background** and type of venture launched appears to influence what **type of collaboration** entrepreneurs sought. In the cases of **Cash United**, **Eastline**, and **FOO**, each entrepreneur possessed technical expertise to launch their venture without the need to collaborate with third parties. Dagher had already opened and sold a currency exchange company in France before launching Cash United and, as such, would not require business or technical mentoring to launch his venture, but would later collaborate with third parties to expand his network. Badine & Dfouni were running a similar operation in Canada and did not require any form of technical assistance from third parties to launch Eastline in Lebanon; in fact the only assistance they required would come 3 years after launch date, this would in the form of business mentoring to help grow the company. Nasr and Rayess were technically astute and would not need any assistance to launch FOO, but would require regular mentoring to take their business forward. Corbani on the other hand required technical consultations before launching **Green Studios**, and would later receive business mentoring to help expand the company. Ghubril's profound knowledge of finance and business experience from producing his own theatre shows in London equipped him with the skills and tools to take **Zawarib** from a personal project to a leading mapping and signage company in the Middle East. However, having no background in cartography and mapping, Ghubril required technical assistance to help launch Zawarib.

## 5.2 Effectual Logic Theory – A Comparative Analysis

Table 5.3. compares the decision making process observed in each of the five case studies with the five constructs of Sarasvathy’s effectual logic.

Table 5.3. Comparison of findings with the 5 constructs of effectual logic.

	✓✓ Strong Fit	✓ Fit	✗ No Fit		
Enterprise	Cash United	Eastline Marketing	FOO	Green Studios	Zawarib
Start with means	✓✓	✓✓	✓✓	✓✓	✓✓
Set Affordable Loss	✓✓	✓✓	✓✓	✓✓	✓✓
Form Partnerships	✓	✓	✓	✓✓	✓✓
Exploit Contingencies	✗	✓	✓✓	✓✓	✗
Shape your Future	✓✓	✓✓	✓✓	✓✓	✓✓

With respect to the first construct ‘**start with means**’, each of the five entrepreneurs set out to achieve what they could with the resources and means available to them. Each entrepreneur decided to begin by establishing small scale operations as opposed to drawing out big loans required to launch large scale operations. Employing money he had generated from the sale of his French company, and applying the knowledge and experience he had gained in the currency exchange field, Dagher was able to set up an office which would serve as both his headquarters and his first point of sale. Badine and Dfouni spent their savings, and used their background and extensive knowledge in digital marketing to establish a small scale business in Lebanon. Nasr and Rayess would also invest their saving, and use their background and

extensive knowledge in programming and I.T. to establish a small operation which they would begin growing by offering consultation to corporations, before expanding into proprietary mobile apps. Corbani invested his savings, collaborated with a plant expert who would perform R&D, and consulted with technicians from the field of hydroponics before building his first green wall system. Ghubril worked from his kitchen table and employed some of his savings to commission a GIS company to help him map the city of Beirut. He also collaborated with the Lebanese University of Beirut who would offer free map design services.

With respect to the second construct ‘**affordable loss**’, each entrepreneur had employed a conservative approach to managing their expenses, employing their resources carefully with the aim of sustaining their businesses rather than setting their sights on expected returns. Dagher had set aside money to cover company expenses for the first two years of operations, and struck deals with various agents who would offer Cash United products and services at their respective outlets. This saved Dagher substantial money that he would have normally had to spend on additional office space. Badine and Dfouni managed to secure free office space for their first two years of operations, and were able to operate with almost no overhead costs.

Nasr’s lean business model for FOO simply required a PC and ideas for it to be operational. Nasr was disciplined in his approach to expenses, abiding to tight budgets in order to remain focused on saving costs where possible.

*“...having a tight budgets and having a fixed budget will make you focused will make you move in a critical path in a very fast way in order for you to reach the point where you need to succeed and move to the next level.”*

Nasr also received mentoring from experienced entrepreneurs whose valuable advice would save him time and costs. Corbani had saved substantial money by managing to

secure free office space, R&D commitment and consultation from experts in hydroponic technology prior launching Green Studios. Moreover, to remain disciplined in cost saving, Corbani refused to take on debt and operated with limited cash flows for the first eighteen months of operations, reinvesting any surplus back into the company. Ghubril kept records of his expenses, and saved costs wherever he could. As mentioned above, he managed to secure the free services of the Lebanese American University graphic design department who would design his maps. Moreover, Ghubril found that the press club was the cheapest alternative to raise awareness for Zawarib; for only \$200, he was offered a conference room, a microphone, and a mailing list of 300 journalists.

There were mixed results with respect to the third construct **‘partnerships’**. All entrepreneurs secured partnerships but to varying degrees. Green Studios and Zawarib demonstrated the strongest commitment to partnerships. Zawarib partnered with a GIS company to help map the streets of Beirut, with the Lebanese American University for graphic design services, and with countless private and public institutions to raise awareness of its work. Green Studios partnerships comprised of a plant expert, a landscaping designer, consultants, and a team of technicians, thereby setting a high barrier to entry. Cash United, Eastline, and FOO, have all secured partnerships to some degree. Cash United partnered with agents to increase its points of sale and market penetration; Eastline’s close relationship with its clients has helped it shape and improve its services based on the feedback it receives; also, its exposure to different types of clients has given it experience in how to consult clients from different industries. FOO relied on inputs from the industry, from the market, and from its end customers to help shape its products to meet future needs.

In three out of the five cases **contingencies** were **exploited** and turned into opportunities. Green Studios adapted its hydroponic system to compensate for the ubiquitous Lebanese power and water cuts. As a result, the unique customised system can absorb more water and has opened opportunities for Green Studios to implement its system in countries that experience hot weather. Working in a country with poor internet infrastructure, FOO has learned how to build mobile applications with compressed data so that it can function regardless of how slow the internet is. This technique has opened doors for FOO to introduce its mobile apps in countries like Iraq where poor internet infrastructure exist. The 2008 global financial crisis forced corporations all over the world to cut their expenses in preparation for lower expected sales. As a result, marketing budget cuts meant organisations had to find cheaper and alternative channels to market their brands. Eastline took the financial crisis as an opportunity to prospect new clients.

In all 5 cases, entrepreneurs have taken command of their own destiny by **shaping their own future** as opposed to trying to predict it.

Aware of Western Union's domination of the market, Dagher understood that the barrier of entry for **Cash United** was very high, and most entrepreneurs would think twice to challenge Western Union without a strong marketing budget at the least. Instead Dagher chose to launch his venture and build it up slowly, starting with just one point of sale before collaborating with sub-representatives who would help him grow his network and extend his reach. Badine and Dfouni of **Eastline** knew too well that the Lebanese market had not yet embraced digital marketing and had no data on Arab markets with which to predict the future. Instead, they would build their reputation slowly by meeting with prospective clients whom they would inform of the benefits of

online marketing. Furthermore, they held seminars and attended conferences in order to spread the word around. Rayess and Nasr launched **FOO** with a starting capital of just \$20,000, and would grow their company by reinvesting any profits back into the company. Moreover, Rayess and Nasr would use a measured approach to growing FOO by setting limits to personnel and then restructuring the company to prepare for its next growth stage. This is in contrast to the causal approach which requires establishing an achievable market share before allocating the necessary resources to achieve it. Corbani had established that he would need to create a market for **Green Studios**, and went about creating awareness for his product by speaking to various stakeholders and demonstrating his hydroponic system at an exhibition. Ghubril did not carry out any market studies on the potential of selling maps in Lebanon. In fact, street maps were unprofitable for Zawarib, and Ghubril was forced to pivot and eventually transformed his maps into much needed travel guides for tourists.

### **5.3 Decision Making Process**

Figure 5.1. illustrates the decision making approach my subjects took with respect to launching their ventures. The process, which includes the effects of context on opportunities and individual behaviour, has been adapted from Sarasvathy and Dew's (2005) effectual model. The process elaborates on the five effectual constructs and draws from patterns observed in the study.

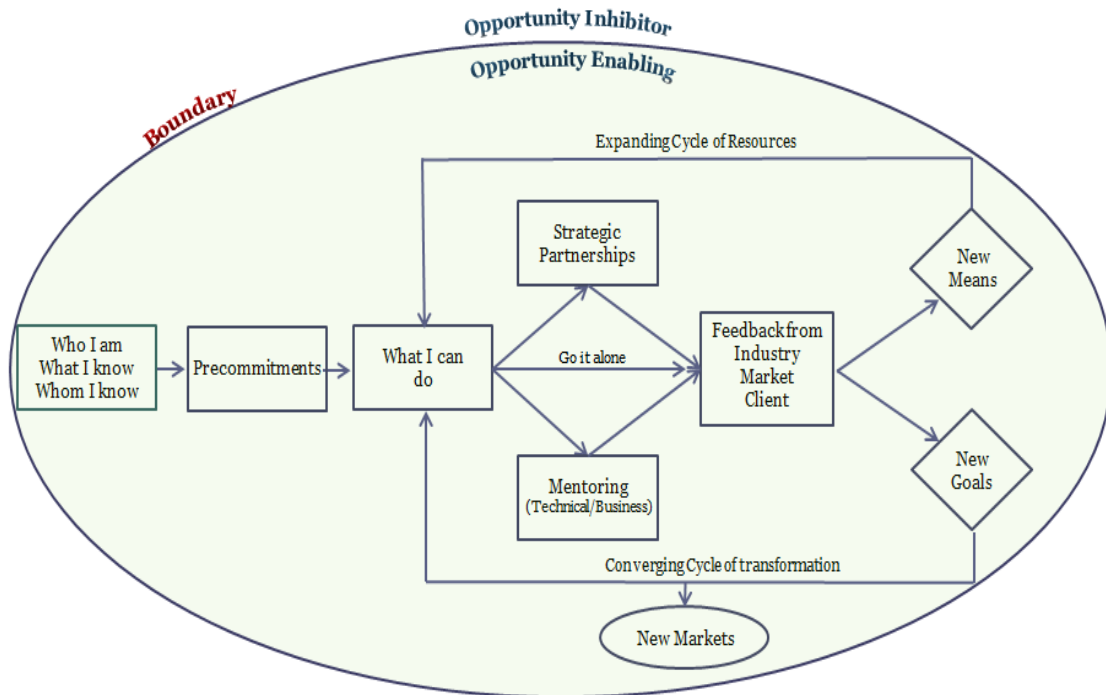


Figure 5.1. Context-Driven Effectual Process (Adapted from Effectual Approach, Sarasvathy, Dew, 2005)

The process begins by identifying preferences and interests, what we know and who we know. With this in mind, we begin to formulate an idea or imagine a venture to pursue. Since we are all socially embedded, we take this opportunity to discuss the idea with friends, colleagues, and family. If the idea is grabs interest, it is highly likely someone from our social network will show interest and offer some form of commitment to help kick-off the venture. At this point, we have some idea of what we can do with the available resources at our disposal. If we find that we have the necessary resources and means to work alone, we can go straight to the market and start selling our service or product. If, on the other hand, we feel we need more assistance to see our product or service through, we search for strategic partners that can fulfill our specific needs. In some cases, some of us may only need business or technical mentoring, and in other cases, some may need to collaborate and leverage on third party resources. The next step of the process entails absorbing feedback from the industry,



market, and client, in order to know how to shape or deliver the product or service to meet market needs. The shape of the product or service relies much on the institutional and business contexts in which we find ourselves embedded. Here, we understand how laws or business practices will affect our venture. Both feedback and newly acquired resources provide us with new goals and means. It is important to note that one can acquire new means and establish new goals not only from market feedback and stakeholder commitment, but also from reinvesting profits back into the company. Capital expenditure can be increased to purchase new technology or hire new personnel. As the effectual process indicates, it is continuous and self-reinforcing, empowering us to improve our service and product, and even discover new opportunities and markets.

## CHAPTER VI

### DISCUSSION

#### **6.1. Research Contribution**

My research makes three contributions to the entrepreneurship field of study. First, I demonstrate that context provides opportunities and sets boundaries for entrepreneurs whilst also shaping identities and preferences. For example, in all five cases, context had played a critical role in decision making and venture creation, and will continue to play a role in both the personal and professional development of the enterprising individual and ultimately to the firm he controls. Second, the study indicates that collaboration is not always necessary, but that it is essential when deficiencies exist. For example, in all five cases, entrepreneurs who possessed strong prior knowledge in their fields did not require assistance from self-selected stakeholders, but found that they needed business mentoring to grow their companies. Conversely, entrepreneurs with no prior knowledge and strong business acumen required commitment from stakeholders but did not need any business mentoring. This led me to hypothesise that enterprising individual that possesses both prior knowledge and strong business acumen can depend on himself to take his venture forward. Third, based on my observation, I propose a preliminary model which I believe best illustrates the decision making process of my subjects, and by doing so, I have made a tentative hypothesis that most entrepreneurs tend to follow this process.

## **6.2. Limitations of the Study**

A sample of five cases is reasonable and better than one case. However, more cases would have produced more robust conclusions.

Moreover, no other sources, other than the interviews, were used. As a result, the findings could not be triangulated.

The nature of exploratory studies leads to preliminary observations at best, preventing me from making definitive conclusions (Yin, 2003).

Finally, exploratory research design focuses on relevant logic of uncovering interesting patterns that are food for thought or analysis, rather than conclusive statements. .

## CHAPTER VII

### CONCLUSION

Entrepreneurship research has made vast advances in the last decade. Before the millennium, entrepreneurship studies were generally indistinctive from other broader domain of business studies. Today, following a concerted effort from a number of influential scholars, entrepreneurship has become a scholarly discipline that can be, to some extent, taught and learned as a form of expertise. However, research into entrepreneurship is still going forward as scholars endeavour to get a better understanding of the phenomenon. Recently, scholars have called for contextualising entrepreneurship in order to fully appreciate the implications of culture, country, and regional dynamics on entrepreneurial actions. Furthermore, extant research is mostly based on limited field studies, relying on stylised facts and less on actual practices of the entrepreneurial teams in situ, thereby shedding little if any light on entrepreneurial action.

This paper has contributed in filling some of the research gaps mentioned above. In each of five case studies, context, whether institutional, social, spatial, or business, was found to have influenced the formation of opportunities as well as the individuals who discovered and exploited them. Moreover, observations made in each case study reveal that entrepreneurs closely conform to the five constructs of effectuation, particularly when no goal was preselected. In addition, observations made inspired the construction of a context-driven process, adapted from Sarasvathy and

Dews' (2005) effectual model, which illustrates the effects of context on entrepreneurial practice and the different types of collaboration available to entrepreneurs at different stages of the process cycle.

Context to the untrained eye can appear as a series of serendipitous events, but when examined and studied closely, it offers an elucidation to why entrepreneurship happens and who gets involved (Welter, 2010). Each of my subjects demonstrated how context had played a critical role in their personal development and ultimately in the establishment and success of their ventures. Each entrepreneur had understood how to adapt to context to best serve their needs by first identifying the opportunities context provides, and by understanding the limitations they are working with. We breathe, eat, speak, and act while embedded in social, institutional, spatial and business context, some of which influence us more than others. Context can take different shapes over the course of time; we cannot fight, control or predict it; nor can we shape it to suit our interests. Context can only be understood by accepting its existence, limitations, and understanding our relationship with it. Only then can we truly be masters of our own destiny.

## I. Interview Questions

### **What was the idea you came up with?**

- a. Did you come up with the idea on your own?
- b. Was your background an influential factor behind the idea?
- c. Did you have specific skills to develop the product/service?
- d. Did you know someone who could help you out?

### **Did you have a clear vision of what your product/service would look like?**

- a. Did a market already exist for your product/service?
- b. Did you think about how much money you could make from it?
- c. What uncertainties did you face?
- d. Did you carry out any market studies?
- e. Did you prepare a business plan or did you have a strategy in mind?

### **What resources did you have under your control at the start?**

- a. What were you able to achieve using these resources?
- b. Where were you able to save costs? If so, how?
- c. Did you have in mind how much of your personal money you were willing to lose?
- d. Did you require more resources to see your product/service through?

### **Did you share or test your idea with anyone?**

- a. What did they think?
- b. Was their feedback useful?
- c. Did your idea/product/service take a different direction/shape as a result?
- d. Did you learn anything new at this stage?
- e. Was anyone interested in cooperating/partnering up with you?
- f. If so, what kind of commitment(s) were they prepared to offer you?

### **What additional resources, if any, did you have under your control at this stage?**

- a. Were you now able to do things you were not able to do before?
- b. Did your product/service take a new shape as a result?
- c. Did you uncover new opportunities/markets to explore as a result?
- d. Were there any disadvantages to having more resources at your disposal?

### **What challenges, if any, did you face while working in Lebanon?**

- a. Did you manage to overcome them? How?
- b. Did your product/service take a new shape as a result?
- c. Did you uncover new opportunities as a result?

**Did the introduction of a new technology/process affect your product/service?**

- a. Did your product/service take a new shape as a result?
- b. Did you uncover new opportunities as a result?

**Is the product/service you have launched different to the one you initially visualised?**

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