

**USING KIRZNERIAN PERSPECTIVE OF ENTREPRENEURIAL OPPORTUNITIES
TO PREDICT EMERGENCE OF NEW VENTURES IN UGANDA**

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2013/PhD/BAdmin/034/PS

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**A PHD PROPOSAL SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION OF
MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY**

SEPTEMBER, 2014

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CHAPTER ONE

INTRODUCTION

1.1. Introduction

This study seeks to identify the critical determinants of new venture creation in Uganda using Kirznerian perspective of entrepreneurial opportunities framework. The lack of a developed theory in extant literature that provides comprehensive explanation of how new ventures emerge in the context of a developing country like Uganda justifies the reliance on Kirznerian analytical framework. Entrepreneurial Alertness (EA) and Information Asymmetry (IA) which constitute the measures of the Kirznerian perspective of entrepreneurial opportunities will be examined as they account for emergence of new ventures which is to be assessed in form of; seeking startup funding, hiring employees, developing products/services, and setting up an enterprise (Leibenstein, 1968).

The phenomenon of new venture emergence is important for the Ugandan economy as it provides young people with jobs necessary to avert the prevailing challenge of unemployment. A need for achievement, playing a mediating role becomes necessary as the relationship between the two variables seems to be indirect. This mediating variable will be characterized by the desire to undertake challenging tasks, pursuit of excellence, desire to succeed in competition, and commitment to overcoming difficulties.

This first introductory chapter elaborates on the background to the study, the statement of the problem, the purpose of the study, the objectives of the study, the research questions, the

hypotheses, the scope of the study, the significance, Justification and operational definition of terms and concepts.

1.2. Background to the Study

1.2.1. Historical background

Entrepreneurship research is a relatively new academic field although it has a long tradition (Landström. Et al., 2011). Its roots are probably traceable from the economics discipline (Kruger, 2004). Cantillon(1755) is regarded as the first Scholar to place the entrepreneurial function in the field of economics and intimated that the entrepreneur was a coordinator who played the role of connecting producers with consumers and by making judgments in an environment of uncertainty (Kruger, 2004:97). Say (1840, 1845) considers an entrepreneur as a key figure in economic life, who understands technological means of production and transfers his knowledge into valuable products (Grebel, & Pyka et al. 2001).

Mourdoukoutas, (1999) treated entrepreneurship as a distinct and separate function of the firm and regarded entrepreneurs as individuals whose function was to carry out new combinations of means of production. Building on Say's (1845) seminal definition of entrepreneurship as the act of combining factors of production, Schumpeter (1934) insisted that the essence of entrepreneurial activity lay not simply in pulling together businesses in established ways but in creating "new combinations". Successful new combinations in turn disrupted market equilibrium and were the source of the "entrepreneurial profits" that the economist Knight (1942, 44) had begun to explore.

At some point, the works of the Austrian School of Economics whose tradition began with Carl Menger (1871) took centre stage. The entrepreneur figures prominently in Menger (1871)'s account of production, as a coordinating agent who is both capitalist and a manager, and he emphasizes the importance of uncertainty and knowledge, and the deliberate, decisive action of the entrepreneur in arranging the productive resources at his disposal. He also makes the entrepreneur a resource owner, as do Knight (1921) and Foss and Klein (2007). On his part, Wieser (1914) had provided an alternative definition of the entrepreneur as owner, manager, leader, innovator, organizer, and speculator. He emphasized the fact that the entrepreneur "must possess the quick perception that seizes new terms in current transactions as his affairs develop", the first hint of alertness as an entrepreneurial attribute.

Lewinian (1935:19) developed a conceptual framework, describing entrepreneurial action via an interaction between person and environment and pointed to the relevance of an integration of individual and environment rather than their interaction. Later on, Baumol (1968) distilled the miscellany of theorizing about entrepreneurship into two broad categories: the entrepreneur-business organizer and the entrepreneur-innovator. Fillion (1997) reasoned that the former includes the classical entrepreneur described by Say (1815), Knight (1921) and Kirzner (1983), and the latter the entrepreneur described by Schumpeter (1934) and Drucker (1985). Kruger (2004) indicates that, much of the academic debate on entrepreneurship over the last quarter of the 20th century or more concerned itself with entrepreneurial, behavioral and personal traits. For instance, McClelland's (1961) work on achievement motivation focused on the view that entrepreneurs are different from other persons with respect to certain traits, and it is these differences that lead them to recognize opportunities, to pursue them, and to create new enterprises. It was not until the 1970s that the field of entrepreneurship started struggling to

define itself as a field and gain legitimacy as a valid academic area of research (Cooper, 2003, p24). According to Alvarez and Barney, (2008:p40), much of the prior work in entrepreneurship was either theoretical or used the phenomena as a context in which to observe other theories.

During the 1990s an increasing number of scholars devoted themselves to entrepreneurship as a core research field, which led to a unique defining question for the field of entrepreneurship: where do opportunities come from (Alvarez & Barney, 2007)? Personality traits, organizational factors, and environmental factors were studied by entrepreneurship researchers as causes of new venture creation (Alvarez & Parker, 2009; Eckhardt & Ciuchta, 2008; MacMillan & Katz, 1992; Shane & Venkataraman, 2000). At this point in time, researchers contributing to the existing entrepreneurship literature have been unable to report a unique set of personality traits that characterize the entrepreneur (Shaver, 2013:11). To date, the debate on opportunity discovery still ranges on and the issue of how opportunities are discovered is still unresolved (Barney, 2007p39). This study will attempt to contribute to this current debate on opportunity discovery by relying on Kirznerian Perspective of Entrepreneurial Opportunities to predict emergence of new ventures. This will lead to improved Micro Small and Medium Enterprises (MSME) policy planning and implementation in Uganda.

1.2.2. Theoretical Background

Several theories have been advanced to explain how opportunities for new venture creation are identified and exploited (Gartner, 2011; p5). There are, however, two of them in related literature that have been singled out as internally consistent theories of how entrepreneurial opportunities are formed. These are discovery theory and creation theory (Alvarez and Barney, 2009; 13). While discovery theory and creation theory have much in common, they often generate different

predictions about when specific entrepreneurial actions will be more or less effective in enabling entrepreneurs to form opportunities (Shane, 2003). For instance, both discovery theory and creation theory assume that the goal of entrepreneurs is to form and exploit opportunities, and further, both theories recognize that; opportunities exist when competitive imperfections exist in a market or industry (Shane, 2003). Nonetheless, these two theories differ in their analysis of the origin of these competitive imperfections.

Schumpeterian opportunities, which arise from the creation theory, are more often pursued in rapidly growing markets, while Kirznerian opportunities that emanate from the Discovery view are found in markets of strong rivalry among incumbent producer (Joroen et al., 2010). Uganda as a market is characterized by strong rivalry among incumbent producers and therefore, fits in the category of Kirznerian opportunities. For such a reason, this research will use the Discovery view, sometimes referred to as; “Opportunity–Based Entrepreneurship Theory (OBET)” which Fiet (2002); and Shane (2000) have affirmed, it provides a wide-ranging conceptual framework for entrepreneurship research. Besides, OBET is more relevant to the study than Creation Theory because of its underlying assumptions.

According to Kirzner, (1973); in discovery theory, competitive imperfections are assumed to arise exogenously, from changes in technology, consumer preferences, or some other attributes of the context within which an industry or market exists. Shane (2003) demonstrates how technological changes, political and regulatory changes, and social and demographic changes explain the kinds of events that can disrupt the competitive equilibrium that exists in a market or industry, thereby forming opportunities. This emphasis on exogenous shocks forming opportunities suggests that discovery theory is predominantly about systematic search and

scanning the environment to discover opportunities to produce new products or services (Alvarez and Barney, 2009; p19). The discovery mode in this sense assumes that opportunities are objective elements that emerge from changes in the environment and are “out there” whether multiple entrepreneurs discover them or not (Shane, 2003; p27).

The discovery view in essence asserts that entrepreneurial opportunities exist, independent of entrepreneurial actions, just waiting to be discovered and exploited by unusually alert individuals (Shane and Venkatraman, 2000; Shane, 2003). They are lost luggage in a train station just waiting to be claimed by alert individuals who know of their existence (Casson, 1982; Kirzner, 1997; Shane, 2000; Shane, 2003; Shane & Venkataraman, 2000). In the Ugandan context, some individuals have developed businesses while others have not. The question has been why in the same environment, some individuals are able to discover entrepreneurial opportunities for new venture creation yet others cannot. This study seeks to examine how alertness and information asymmetry contribute to emergence of new ventures.

Alvarez and Barney, (2009) indicate that the discovery view of opportunities describes entrepreneurial processes where entrepreneurs are able to predict with some accuracy future outcomes. Besides, Alvarez and Barney (2007); as well as Shane and Venkataraman (2000) contend that entrepreneurship is a process of uncovering objective opportunities, which are visible to those that have the prior knowledge and resources to “discover” them. In this sense, entrepreneurs’ ability to gather information and plan their actions accordingly is seen as positive influencing factors for their venture development (Delmar & Shane 2003; Shane & Delmar 2004). Giones et. al, (2012) recently emphasizes that, the capacity of the entrepreneur to understand what resources and actions are needed to produce their aimed effects helps to explain

some of the differences between successful and non-successful entrepreneurs (Giones et. al, 2012; p8).

Shane (2003; p16) has identified other complements of alertness in entrepreneurial opportunity identification including information asymmetries. He emphasizes that; “this attribute might lead some entrepreneurs associated with an industry or market to become aware of opportunities created by exogenous shocks, while others associated with that same industry or market may remain ignorant of these opportunities. The implication is that the entrepreneur has to be highly motivated and aggressive to effectively exploit the opportunities identified and create a venture. This point to the significance that information asymmetry has in contributing to emergence of new ventures.

Discovery theory will be integrated with achievement motivation theory to provide more explanatory power to emergence of new ventures. This is to take care of the issue of “need for achievement” that has been identified as an important contributor exploitation of discovered opportunities. From related literature, achievement motivation theory (McClelland, 1961) provides relevant views that will complement the provisions of discovery theory in explaining emergence of new ventures in Uganda. McClelland (1961) explains that human beings have a need to succeed, accomplish, excel or achieve, and they are driven by this need to achieve and excel. In his achievement motivation theory, he refers to an individual's desire for significant accomplishment, mastering of skills, control, or high standards as drivers of exploiting opportunities for new venture emergence. This personality trait he asserts is characterized by an enduring and consistent concern with setting and meeting high standards of achievement. Besides, need for achievement is influenced by internal drive for action (intrinsic motivation),

and the pressure exerted by the expectations of others (extrinsic motivation), and measured by thematic appreciation tests, need for achievement motivates an individual to succeed in competition, and to excel in activities important to him or her (McClelland (1961).

Although there is no research evidence to support personality traits, Johnson (1990) indicates that there is evidence for the relationship between motivation and entrepreneurship, and Shaver & Scott (1991) also affirm that; achievement motivation may be the only convincing personological factor related to new venture creation.” In this vein, achievement motivation theory postulates that; “people high in need for achievement are characterized by a tendency to seek challenges and also a high degree of independence and furthermore, their most satisfying reward is the recognition of their achievements.” In congruence with McClelland (1961)’s view, exploiting opportunities for new venture emergence seem to demand for entrepreneurs with a high degree of need for achievement.

1.2.3. Conceptual Background

Kirznerian perspective of entrepreneurial opportunities and New Venture Emergence forms the two major variables identified for this study. These two variables have been identified from related literature where many scholars including Kirzner (1973); Shane and Eckhardt (2003), Shane and Venkataraman (2000); Venkataraman (1997); and Shaver and Scott, (1991) have established that the two concepts have a relationship and could be studied together. While these most studies have been in rather developed countries; its application in a developing context is worth attention. Shane and Eckhardt (2003) extended the understanding of relationships between the two variables by indicating that Kirznerian perspective of entrepreneurial opportunities in particular could be understood if we understand two associated concepts: “Entrepreneurial

Alertness” and “Information Asymmetry”. The two variables are important in identification of opportunities for new venture creation (Kirzner, 1973; and Shane, 2003).

While Kirzner (1973) was the first to use the concept of alertness in identification of entrepreneurial opportunities, Shane (2000) supported the same view and indicated that, entrepreneurs will discover opportunities because prior knowledge triggers identification of the value of new information. Kirznerian perspective of entrepreneurial opportunities will be the independent variable while New Venture Emergence will be the dependent variable. In this study, we would like to interrogate the concepts of entrepreneurial alertness and information asymmetry because both of the two concepts seem to have strong influence on explaining opportunity identification for new venture emergence (Begley & Boyd, 1986)”. This is particularly important because this research seeks to establish the determinants of emergence of new ventures in Uganda. Resolving the question how new ventures emerge help bridge the gaps identified in Uganda’s SME’s policy planning and implementation framework.

The dependent variable for this study has been identified as new venture emergence. New venture emergence involves those activities and events that are undertaken before an organization becomes an organization. According to Leibenstein (1968), new venture formation is a dynamic process in which activities such as obtaining resources, developing products, hiring employees and seeking funds are performed. New ventures undertake these activities at different times (Lichtenstein, Dooley, & Lumpkin, 2006), and in different orders (Carter, Gartner, & Reynolds, 1996), and carrying out such activities lays the foundation for the new venture to develop unique capabilities and to gain the trust of stakeholders (Lichtenstein, Dooley, & Lumpkin, 2006). During emergence the entrepreneur(s) brings together resources, and engages in

activities which will eventually distinguish the business as an entity that is separate from the individual(s) who began the firm (Reynolds and Miller, 1992; Carter et al., 1996). In this study, measures suggested by; Lichtenstein, Dooley, and Lumpkin (2006) that include: “seeking startup funding; hiring employees; developing products and/or services; and setting up an enterprise” will characterize emergence of new ventures.

Murphy (1996) asserts that people will not all perceive the existence of opportunities equally; that some will be predisposed to see them while others will be blind to their existence and still others may see them as threats not opportunities. Similarly, Alvarez and Barney, (2006) contend that even among individuals that perceive the existence of opportunities, some may choose to exploit them by producing new products or services while others may choose to not exploit them. Furthermore, a variety of psychological and non-psychological differences among individuals have been identified as leading some to exploit opportunities of which they become aware, while others do not exploit these opportunities, even when they are aware of them (Alvarez and Barney, 2006). Therefore, these seem to suggest that, Kirznerian perspective of entrepreneurial opportunities may not always contribute directly to emergence of new ventures, implying an indirect relationship instead. Because the relationship between Kirznerian perspective of entrepreneurial opportunities and emergence of new ventures seem to be indirect, this study will consider “entrepreneur’s need for achievement” as playing a mediating role.

Need for Achievement (n Ach) is the degree to which someone is motivated to set and reach goals, and is characterized among others by; the wish to take responsibility for finding solutions to problems, master complex tasks, set goals, and get feedback on level of success (McClelland, 1961). Gartner (1989) emphasizes the need for achievement as one of the most important

characteristics which could differentiate entrepreneurs from non-entrepreneurs. While there are other equally important personality traits to differentiate entrepreneurs from non entrepreneurs i.e. need of independence, internal locus of control and moderate risk-taking propensity (Collins and Moore 1964; Brockhaus 1980; Jennings and Zeithaml 1983), this study has opted to use need for achievement because of its seemingly superior explanatory power in regard to emergence of new ventures. The other characteristics identified in the literature could as well be treated as consequences of need for achievement.

Need for Achievement (n Ach)” will play a mediating role because an entrepreneur requires a high degree of need for achievement to act on a discovered opportunity. Hence, the contribution of entrepreneurial alertness as well as information asymmetry to emergence of new ventures is not direct but requires mediation of entrepreneur’s need for achievement, which will be characterized by measures of; “desire to undertake challenging tasks, pursuit of excellence, pursuit of competitiveness, and commitment to overcoming difficulties that were suggested by McClelland (1961).

Therefore, this study to identify the critical determinant (s) of new venture creation in Uganda will be guided by two integrated theoretical perspectives. This is due to the fact that Kirznerian perspective of entrepreneurial opportunities which is deeply rooted in discovery theory seems to have an indirect relationship with emergence of new ventures. This relationship is however mediated by need for achievement that is explained by motivation achievement theory, which in turn implies that, explanation of emergence of new ventures in Uganda would best be aided by two integrated theoretical lens of discovery theory and motivation achievement theory.

1.2.4. Contextuel Background

Contextually, in Uganda, unemployment of youth especially young graduates is a major challenge, with statistics indicating that 62% of youth are jobless yet the labor force is growing at 3.4% p.a. resulting in 390,000 new job seekers and yet only 8,120 jobs are being created each year, 78% of the jobs for elder people (GOU, 2013). The Uganda Bureau of Statistics (UBOS, 2010) indicates that worldwide, Uganda has one of the highest youth unemployment rates in Sub-Saharan Africa. Dumba (2013) on his part asserts that, of all the University students in Uganda who graduated in 2011, only 33% were able to find employment in the formal sector. This therefore implies that, youth unemployment is a major bottleneck that is stagnating economic growth in the country.

The Government of Uganda recognizes the challenges associated with its rising youth unemployment rate and has put in place some policies and programs to address the challenge (GOU Budget speech, 2013/14). However, existing policies on youth employment are not comprehensive (UBOS, 2012). While a number of interventions to address the current employment challenges have been implemented by Government of Uganda including the establishment of a youth entrepreneurship venture capital fund to support youth starting or expanding their business enterprises, there is no clear policy framework to guide emergence of new entrepreneurial ventures in the country. Existing literature indicates that, the process through which Government developed youth employment related policies was not supported by any research findings. The methods used and decisions taken were not based on concrete knowledge of issues of entrepreneurship development. Employment related policies therefore, are developed

based on haphazard personal experiences, subjective expert judgments, and on the usual tradition or fashion that government follows in policy planning and decision making.

The Youth Employment Report of the International Labor Organization (ILO, 2010) asserts that, one of the principal reasons for Africa's high un-employment rates is barriers to the creation and development of business opportunities. This implies that promoting the emergence of new business ventures would perhaps avert the unemployment challenge in country. Consequently, the Government of Uganda has realized need to review its Youth Policy, and is now calling for the development of a comprehensive national youth employment policy that emphasizes employment creation through youth-led enterprise development (MFPED, 2014). Information however, is still scanty about how the process of creating new Micro, Small and Medium Enterprises (MSMEs) unfolds, and a review of related literature does not indicate whether consensus has been reached on how new ventures emerge. This study will seek to provide a foundational tool to aid the Government of Uganda in undertaking an effective review and improvement of existing Youth Employment Policies. Besides, the research will propose a comprehensive national policy framework for development of new entrepreneurial ventures in Uganda.

1.3. Statement of the Problem

In Uganda, current policies to promote SMEs are based on government's own understanding of what leads to emergence of new ventures, yet, there's a lack of consensus about what constitutes entrepreneurship theory and no generally acceptable theory of entrepreneurship has emerged. The question of where opportunities come from is still unresolved (Alvarez& Barney, 2008). Shane (2003) in particular suggests that to date there are two generally accepted but

contradicting explanations of where entrepreneurial opportunities come from, for instance; the Schumpeterian (1934) view and the Kirznerian (1973) view. Although Joroen et al (2010) have recently discovered that, Schumpeterian opportunities are more often pursued in rapidly growing markets, while Kirznerian opportunities are found in markets of strong rivalry among incumbent producers, no empirical evidence exist to support the assertion in a developing country context.

Kirzner (2009) insists that alertness and information asymmetry of an entrepreneur contribute directly to emergence of new ventures. McClelland on his part suggests the existence of an indirect relationship between Kirznerian type of opportunities and emergence of new ventures, although such a relationship is mediated by entrepreneur's need for achievement. The extents to which such relationships have been examined in Uganda are rather limited. Yet, this is the kind of information that would be needed to guide decision makers wooing to the sporadic increase in youth unemployment (now estimated at over 62%). The new ventures would be a possible remedy but the lack of research on how new ventures emerge (Diochon et.al, 2006) has led to death of knowledge which this study partially attempts to fill by undertaking a study to identify the critical determinant (s) of new venture creation in Uganda so as to avert the challenge of youth unemployment.

1.4. Purpose of the Study

The purpose of this research is to determine the extent to which the Kirznerian perspective of entrepreneurial opportunities contributes to emergence of new ventures in Uganda.

1.5. Objectives of the Study

1. To examine how entrepreneur alertness contributes to emergence of new ventures in Uganda.
2. To assess how information asymmetry of an entrepreneur contribute to emergence of new ventures
3. To determine how entrepreneur's need for achievement mediates in the relationship between entrepreneur alertness, and new venture emergence.
4. To determine the extent to which entrepreneur's need for achievement mediate in the relationship between information asymmetry of an entrepreneur on one hand, and new venture emergence on the other hand.

1.6. Research Questions

1. How does entrepreneur alertness contribute to emergence of new ventures?
2. How does information asymmetry of an entrepreneur contribute to emergence of new ventures?
3. Does an entrepreneur's need for achievement mediate in the relationship between entrepreneur alertness and new venture emergence?
4. Does an entrepreneur's need for achievement mediate in the relationship between information asymmetry of the entrepreneur and emergence of new ventures?

1.7. Hypotheses of the Study

1. There is no direct relationship between entrepreneur alertness and emergence of new ventures in Uganda.

2. Information asymmetry of an entrepreneur does not contribute directly to emergence of new ventures in Uganda.
3. The relationship between entrepreneur alertness and emergence of new ventures is mediated by the entrepreneur's need for achievement.
4. The entrepreneur's need for achievement mediate in the relationship between Information asymmetry of an entrepreneur and emergence of new ventures.

1.8. Significance of the Study

It is hoped that the study will be useful in contributing to development of literature on entrepreneurship and in particular, enrich the debate on entrepreneurial opportunity discovery by providing data from a developing country. This study will also yield data and information useful for proper planning and decision making at the national level, and for institutionalization of a framework for enhancing the knowledge, skills and experience of policy planners and decision makers that are actively involved in enhancing the growth of MSME sector. Henceforth, they will not rely on haphazard personal experiences, or subjective expert judgments, or on tradition or fashion in their policy planning and decision making processes, but will base their methods, decisions and actions on concrete knowledge of issues of entrepreneurship development supported by research findings. The researcher hopes that the study will form a basis for further research on development of a comprehensive theory on entrepreneurship. This should lead to the generation of new ideas for the better and more efficient emergence of business ventures in Uganda and the developing world.

1.9. Justification of the study

In the past five years, it has been estimated that at any one time, over 500 million people globally were involved in the process of starting up new ventures (Reynolds, 2013). Therefore, finding more effective ways to stimulate entrepreneurship is an issue of growing interest, globally, among policymakers (Stevenson and Lundstrom 2002) and academicians. For example, a key policy objective in Uganda is to nurture and enhance the creation of new MSME to foster job creation and income generation (Government of Uganda 2011). This study will develop a new and integrative theoretical model to explain emergence of new ventures in Uganda. Besides, it will provide recommendations to help develop MSME policies from an informed point of view, backed with research findings.

1.10. Scope of the study

The study will be conducted among only entrepreneurs in Kampala Capital City Authority and in one of the biggest municipal councils in each of the other three regions of the country, who have started a business venture in the last twelve months, because such individuals are still fresh in their minds and can recall very well the process they went through to create their enterprises. The municipal councils include; Mbarara in the western region, Gulu in the northern region, and Mbale in the eastern region. The study is expected to be conducted in a period not exceeding two years because of the approach and design that is to be employed. The study will be limited only to understanding the ways in which new ventures in Uganda have emerged.

1.11. Operational Definitions of Key terms

Entrepreneur alertness means that an entrepreneur has the ability to notice and become sensitive on information about objects, incidents, and patterns of behavior in the environment, which implies an entrepreneur has ability to identify and exploit opportunities created by environmental shifts. On the other hand, **information asymmetry** is the ability, developed to the extreme, in an entrepreneur, which, more than others, allows the entrepreneur to know where the information required for discovering market opportunities can be found and involves the entrepreneur's prior knowledge of markets, of ways to serve markets, and of customer problems.

Emergence of new ventures refers to the early nascent phase of a new venture, that is, the time before sales and revenues are realized and the phase when the venture is working to gain sales, to manage early formation challenges and build stakeholders and customers. Meanwhile, **entrepreneur's need for achievement** is the degree to which someone is motivated to set and reach goals and is characterized by the wish to take responsibility for finding solutions to problems, master complex tasks, set goals, and get feedback on level of success.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This study aims at establishing the critical determinants of new venture creation in Uganda using Kirznerian perspective of entrepreneurial opportunities. While there may be common beliefs that emergence of new ventures is associated with Kirznerian perspective of entrepreneurial opportunities, there is need to make reference to other studies conducted in areas related to the concepts specifically, and the study problem in general. In this chapter, a discussion is made of such related literature under the major themes: conceptual framework, theoretical review, Kirznerian perspective of entrepreneurial opportunities, the process of new venture emergence, and synthesis of the literature review.

2.2. Conceptual framework

The field of entrepreneurship has struggled since the 1970s to define itself as a field and gain legitimacy as a valid academic area of research (Cooper, 2003); however one of the obstacles in the way of this push has been an inability to define entrepreneurship. Shaver and Scott (1991: p18) briefly discussed the difficulties in defining entrepreneurship and in order to avoid the definitional problem, they opted to describe entrepreneurship as ‘new venture creation’. As with Scott and Shaver (1991) it was decided to look at the action or outcome of the entrepreneurial action rather than attempting to define the person, hence the focus on creating new ventures. However, they fell short of acknowledging that new venture creation is a process and not a onetime only activity. In a significant paper on the subject of the antecedents of new venture

creation, Shaver and Scott (1991) concluded that need for achievement offered the best and most reliable opportunity to discover why people start up new ventures. This study will further the understanding of new venture creation by integrating need for achievement with Kirznerian perspective of entrepreneurial opportunities.

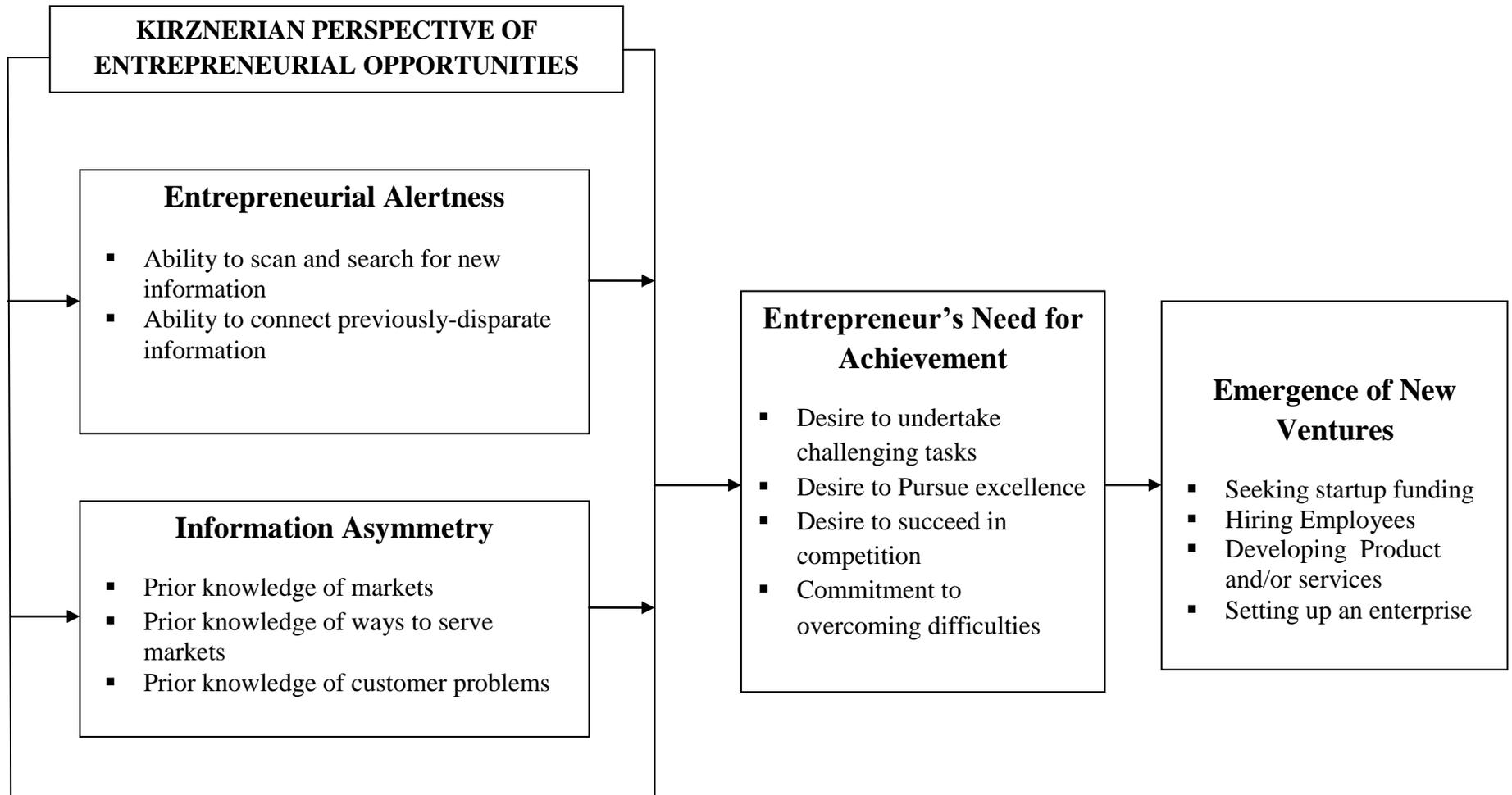
Schumpeter (1934: 22) defined entrepreneurs as individuals whose function was to carry out new combinations of means of production. Since this early contribution, scholars have further described the relevance of the entrepreneurial function, promoting the renewal of market economies (Kuratko, 2005: 9) and offering new opportunities to individuals to participate in a healthy socio-economic development. Stevenson on his part defined entrepreneurship as; “The process by which individuals – either on their own or inside organizations – pursue opportunities without regard to the resources they currently control” (Stevenson, 1990; 15). This opportunity oriented conceptualization of entrepreneurship echoes classical definitions such as Kirzner’s (1973) “alertness to opportunity”. To date, many definitions of entrepreneurship have increasingly focused on opportunity identification as central to understanding entrepreneurial behavior (Shane & Venkataraman, 2000:39). The issue of how opportunities are discovered seems to remain so pertinent in defining the field of entrepreneurship.

Entrepreneurship is an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, process, and raw materials through organizing efforts that previously had not existed (Venkataraman, 1997: 10). Given this definition, the academic field of entrepreneurship incorporates, in its domain, explanations for why, when and how entrepreneurial opportunities exist; the sources of those opportunities and the forms that they take; the processes of opportunity discovery and

evaluation; the acquisition of resources for the exploitation of these opportunities; the act of opportunity exploitation; why, when, and how some individuals and not others discover, evaluate, gather resources for and exploit opportunities; the strategies used to pursue opportunities; and the organizing efforts to exploit them (Shane and Venkataraman, 2000).

Building on the above explanation, Cornelius et al. (2006; 22) defined entrepreneurs as people who have a high need for achievement (nACH) coupled with strong self-confidence and independent problem solving skills, and who prefer situations that are characterized by moderate risk, while accepting individual responsibility. However, the most common and practical criterion attached to entrepreneurship is venture creation because establishing, owning, and managing a business are easily identifiable behaviors (Rauch & Frese, 2000). This study will integrate and adopt the definitions of the entrepreneur by Cornelius et al. (2006), Kirzner (1973) and Stevenson (1990) respectively, to define entrepreneurship. Accordingly, entrepreneurship is a process by which alert people with high need for achievement pursue opportunities without regard to the resources they currently control. For this proposed research it is conceptualized that; Kirznerian perspective of entrepreneurial opportunities has a direct and positive relationship with need for achievement while need for achievement has a direct and positive relationship with emergence of new ventures. These relationships are illustrated in figure one below.

Figure 1



2.2.1. [Conceptual Model for Emergence of New Ventures *(adapted from Shane & Venkataraman, 2003; Tang et.al, 2012 & McClelland, 1969)*]

In the figure 1 above, Kirznerian perspective of entrepreneurial opportunities is the independent variable and operationalized by two concepts: entrepreneurial alertness that is represented by ability to scan and search for new information, and ability to connect previously disparate information; and information asymmetry, which has three dimensions of prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems. The two concepts are conceived to directly and positively contribute to entrepreneur's need for achievement as illustrated by the two forward pointing arrows. Entrepreneur's need for achievement, which has four dimensions of; desire to undertake challenging tasks, pursuit of excellence, desire to succeed in competition, and commitment to overcoming difficulties is in turn, directly and positively related to emergence of new ventures. Emergence of new ventures is operationalized by; seeking startup funding, hiring employees, developing product and/or services, and setting up an enterprise.

2.3. Theoretical Review

Whilst entrepreneurship has been deemed as an important factor that contributes to firm creation and economic growth, there is no unified theory about entrepreneurship (Chiang et al., 2011). Shane and Venkataraman (2000) also note that the phenomenon of entrepreneurship lacks a conceptual framework, yet it has become a broad concept under which a hodgepodge of research is housed. Given this background, many schools of thought have been advanced, and among them, Langlois (2005) clearly distinguished that Kirzner (1973) is about discovery, Knight (1921) is about evaluation, and Schumpeter (1934) is about exploitation. Klein (2008) on his part distinguishes the various strands of entrepreneurship literature as occupational, structural, and functional perspectives. Occupational theories define entrepreneurship as self-employment

and treat the individual as the unit of analysis, describing the characteristics of individuals who start their own businesses and explaining the choice between employment and self-employment (Parker, 2004). McGrath and MacMillan (2000) on their part extends the understanding of occupational theories by arguing that; particular individuals have an “entrepreneurial mind-set” that enables and encourages them to find opportunities overlooked or ignored by others and that, this mindset is developed through experience, rather than formal instruction.

On the other part, structural approaches treat the firm or industry as the unit of analysis, defining the “entrepreneurial firm” as a new or small firm (Klein, 2008) and according to Lehmann (2005), the idea that one firm, industry, or economy can be more “entrepreneurial” than another suggests that entrepreneurship is associated with a particular market structure. However, Kirzner (2008) and others, model entrepreneurship as a function, activity, or process, not an employment category or market structure. While entrepreneurial function has been characterized by Foss and Klein (2005) as judgment, as innovation by Schumpeter (1911), as adaptation by Schultz (1982), and as coordination by Witt (2003), Kirzner (1992) characterizes entrepreneurial function as alertness to profit opportunities and according to Klein (2008), this conceptualization is one of the most influential functional approaches. Consequently, many scholars in entrepreneurship research have recently devoted themselves to a unique defining question for the field of entrepreneurship: where do opportunities come from (Alvarez & Barney, 2009; Alvarez & Parker, 2009; Eckhardt & Ciuchta, 2008)? According to Alvarez and Barney (2009), this question of where opportunities come from has generated significant debate and is at the core of the debate between discovered realist opportunities and created evolutionary realist opportunities (McMullen & Shepherd, 2006). Realists assume that reality has an objective existence independent of individual perceptions (Popper, 1979), while constructionists argue that reality is

a social product based on the social interactions of individuals and does not have an existence independent of individual perception (Weick, 1979).

Alvarez and Barney (2009) contend that, while several theories have been advanced to explain how opportunities for new venture creation are identified and exploited, there are two perspectives in related literature that have been singled out as internally consistent theories of how entrepreneurial opportunities are formed, and these are; discovery theory that is in line with discovered realist opportunities and creation theory, which corresponds to created evolutionary realist opportunities. Both discovery theory and creation theory assume that the goal of entrepreneurs is to form and exploit opportunities, and opportunities exist when competitive imperfections exist in a market or industry (Shane and Venkatraman, 2000: Shane, 2003). However, while discovery theory and creation theory have much in common, Shane (2003) points that, oftentimes, the two theoretical perspectives generate different predictions about when specific entrepreneurial actions will be more or less effective in enabling entrepreneurs to form opportunities. This implies that these two theories differ in their analysis of the origin of these competitive imperfections.

In a study conducted by Joroen and others (2010), it was discovered that, Schumpeterian opportunities, which are grounded in creation theory, are more often pursued in rapidly growing markets, while Kirznerian opportunities that are rooted in discovery theory, are found in markets of strong rivalry among incumbent producers. Uganda's current situation is directly attributed to the latter market structure and for that matter; this proposed study on determinants of emergence of new ventures in Uganda will partly be informed by discovery theory.

2.3.1. Discovery Theory and Emergence of new ventures

In discovery theory, competitive imperfections are assumed to arise exogenously, from changes in technology, consumer preferences, or some other attributes of the context within which an industry or market exists, and besides, the theory assumes that opportunities to produce new products or services evolve out of pre-existing industries or markets (Kirzner, 1973). Levinthal (1997;41) even stresses the fact of when shocks to a pre-existing industry or market alter its fundamental nature, creating what for all intents and purposes is a “new” competitive landscape for that industry or market, that “new” landscape is still assumed to evolve out of an existing industry or market. Shane (2003;22) identifies some examples including; technological changes, political and regulatory changes, and social and demographic changes as potential events that can disrupt the competitive equilibrium that exists in a market or industry, thereby creating opportunities to produce new products or services. This clearly point to the importance of alertness and information asymmetry of the individual(s), who initiates the process of bringing about new combinations in form of products and services that effectively address preconceived market demands.

Discovery theory further assumes that, entrepreneurs play a passive and responsive role in respect to the creation of new opportunities. According to Kirzner (2009), such opportunities are created by exogenous shocks to an industry or market and are not created by entrepreneurs themselves. Entrepreneurs only become proactive when they begin to exploit an opportunity by bringing “agency to opportunity” (Shane, 2007), which exists, whether or not particular individuals, inside or outside an industry or market, are aware of them. In fact, Alvarez & Barney (2009) contends that; “opportunities in discovery theory are like lost luggage at a train station,

this luggage exists, whether or not it is claimed, and the task of the entrepreneur is to become aware that this luggage exists and then claim it”.

Discovery theory also suggests that entrepreneurship is predominantly about search i.e. systematically scanning the environment to discover opportunities to produce new products or services. This is clarified by McCaffrey (2013) who affirms that, in this search process, entrepreneurs must consider both its direction and duration, and must also guard against confusing local optima; that is; where modest opportunities to produce new products or services exist, with more global optima, and where much more substantial opportunities exist. Discovery theory must necessarily assume that entrepreneurs and non-entrepreneurs significantly differ in their abilities to either see opportunities, or once they are seen, to exploit these opportunities, or both (Kirzner, 1973; Shane, 2003).

Building on the above debate, Shane (2003) cites six differences between entrepreneurs and non-entrepreneurs that can lead the former to perceive opportunities to produce new products or services not perceived by the latter. These include life experiences (Hayek, 1945), a person’s position in a social network (Aldridge & Zimmer, 1986), the nature of the search process a person engages in (Gilad, Kaish, & Ronen, 1989), an individual’s absorptive capacity (Cohen & Levinthal, 1990), intelligence (De Wit & Van Winden, 1989), and cognitive attributes (Busenitz & Barney, 2007). He further asserts that; any one of these attributes, or any combination of these attributes, might lead some people associated with an industry or market to become aware of opportunities created by exogenous shocks to that industry or market, while others associated with that same industry or market may remain ignorant of these opportunities.

And according to Kirzner (1973), “entrepreneurial alertness” is what makes the differences between entrepreneurs and non-entrepreneurs, and is what enables the former to be aware of opportunities about which the latter are unaware. Short et al., (2009) and, Shane and Eckhardt, (2011) have suggested that more “alert” individuals are more able to deconstruct causal relationships, to see cross-linkages between pieces of information, to understand the workings of economic social and physical processes, to critically evaluate information, to challenge assumptions, to re-label categories, to use analogies to identify counterintuitive patterns or to engage in counterfactual thinking, and so forth. Nevertheless, variations in these abilities cannot be ruled out and according to Sarasvathy (2011), they may be a function of variation in people’s cognitive schema that is, some people view new information in terms of opportunities rather than risks. On the other hand, Foss and Klein (2012) believes it may be a function of variation in people’s creativity or imagination. Whatever the case, discovery theory assumes that people will not all perceive the existence of opportunities equally, that some will be predisposed to see them while others will be blind to their existence and still others may see them as threats not opportunities (Murphy, 1996).

Building on the Kirznerian view, a variety of psychological and non-psychological differences among individuals have been identified as leading some to exploit opportunities of which they become aware of, while others do not exploit these opportunities, even when they are aware of them (Alvarez & Barney, 2006). One of the major psychological differences as cited by Begley and Boyett (1996) is need for achievement that is rooted in McClelland’s (1961) achievement motivation theory. Discovery theory in its entirety seems to emphasize awareness of opportunities as the major driver of new venture emergence. However, it seems that in addition to being aware of existing opportunities, entrepreneurs require some level of motivation to be

able to create new ventures. In this sense, discovery theory should be combined with McClelland's (1961) achievement motivation theory, which provides a foundation of need for achievement that could act as a motivator for the entrepreneurs to take action and exploit discovered opportunities. In this study therefore, discovery theory and achievement motivation theory will be integrated to provide explanation of how new ventures emerge.

2.3.2. Achievement Motivation Theory and Emergence of New Ventures

Achievement motivation theory attempts to explain and predict behavior and performance based on a person's need for achievement, power, and affiliation" (Lussier & Achua, 2007). The achievement motivation theory is also referred to as the acquired needs theory or the learned needs theory. Daft (2008) defined the acquired needs theory as "McClelland's theory, which proposes that certain types of needs (achievement, affiliation, power) are acquired during an individual's lifetime." According to Moore and others (2010), achievement motivation theory evolved from work McClelland began in the 1940s. Building on the work of Henry Murray (1938), McClelland focused on three particular motives: the need for achievement (NAch); the need for affiliation (N Aff); and the need for power (N Pow). Most of his work focused on N Ach from the late 1940's through the 1960's (McClelland et al, 1953; McClelland, 1961; McClelland and Winter, 1969).

McClelland (1961) developed further Max Weber's work (1904/1970) on society and economic development stating that a nation's and correspondingly an individual's 'need for achievement' (nAch) was fundamental to economic development. According to McClelland (1961), "the need for achievement is an unconscious drive to do better toward a standard of excellence. People with strong N Ach assess themselves to measure progress toward goals, they set goals; strive to

take moderate risks; prefer occupations with performance data clearly available, like sales positions. The need for power is an unconscious drive to have impact on others, and people with strong N Pow often assert themselves by: taking leadership positions and prefer occupations in which they can help or have impact on (McClelland, 1961).

Need for achievement in relation to entrepreneurs refers to their need to achieve as a motivational factor and, anecdotal evidence suggests entrepreneurs see profits as a measure of success and not just as a goal (Alvarez & Barney, 2006). It is the prospect of achievement and not money that drives them (Moore, 2010). In his study McClelland (1969) discovered that entrepreneurs rated high on (nAch) and were very competitive when their results were measurable. He concluded that, individuals demonstrating a high need for achievement are focused, committed, and have a real desire to do well in all they do in life. Creating a new venture requires a visionary individual, who is commitment and focused.

In this study, achievement motivation theory will be integrated with discovery theory to explain emergence of new ventures in Uganda. This is in line with Begley and Boyd (1986), who argues that, need for achievement plays a mediating role between entrepreneurial alertness and information asymmetry (the dimensions of Kirznerian opportunities) and emergence of new ventures. This study would investigate the intermediation role of achievement motivation theory in the process of new venture creation because relevant literature reveals the significance of need for achievement in opportunity exploitation yet, very few if any of the past studies have relied on the integration of discovery theory and achievement motivation theory to explain emergence of new ventures. Discovery theory on its part has been amplified by many entrepreneurship

researchers and notable among them is Kirzner whose numerous works have culminated into an approach currently referred to as the; “Kirznerian perspective of entrepreneurial opportunities.”

2.4. Kirznerian Perspective of Entrepreneurial Opportunities

It is quite generally accepted that the concept of entrepreneurship seeks to understand how opportunities are identified and exploited (Jong & Marsili, 2010). Shane (2003; 8) suggests that to date, the literature has offered two generally accepted explanations of where entrepreneurial opportunities come from, i.e. when and how new means-end frameworks can be created and these are known as the Schumpeterian (1934) view and the Kirznerian (1973) view, respectively. Accordingly, in the Schumpeterian view, opportunities emerge out of the entrepreneur's internal disposition to initiate changes in the economy and the entrepreneur is considered to be an innovator who 'shocks' and disturbs the economic equilibrium during times of uncertainty, change, and technological upheaval (Schumpeter, 1934). In contrast, the Kirznerian view implies that individuals secure entrepreneurial profits on the basis of knowledge and information gaps that arise between people in the market (Kirzner, 1973; 1997; 2008). In this view, the entrepreneur is an alert person, discovering opportunities by acting as an arbitrageur or a price adjuster in the marketplace, capitalizing on knowledge or information asymmetries.

This study will use the Kirznerian view to predict emergence of new ventures in Uganda. Shane and Eckhardt (2010) have indicated that Kirznerian perspective of entrepreneurial opportunities can be understood if we understand two associated concepts: “Entrepreneurial Alertness” and “Information Asymmetry”. The two variables are important in identification of opportunities for new venture creation (Kirzner, 1973; and Shane, 2003). While several scholars have discussed the role of the two concepts, it is not clear yet why some new venture creation attempts are

successful while others are not. Literature has revealed that people secure entrepreneurial profits on the basis of knowledge and information gaps that arise between people in the market, which implies that people who are alert and able to take advantage of the existing information asymmetries are the ones that successfully create new ventures. In this study, entrepreneurial alertness and information asymmetry will be examined to understand clearly whether the two concepts contribute to emergence of new ventures in Uganda.

2.4.1. Entrepreneurial Alertness and Emergence of New Ventures

Klein et.al, (2009) contend that, Israel Kirzner's concept of entrepreneurship as alertness to profit opportunities is one of the most influential modern interpretations of the entrepreneurial function. Kirzner (1979) defines alertness as "the ability to notice without search, opportunities that have been hitherto overlooked" and further develops this concept by assuming an individual would have "his eyes and ears open to opportunities that are just around the corner; he is alert, waiting, continually receptive to something that may turn up, and this alertness is the entrepreneurial element in human action". He characterizes individuals who are more alert as having an "antenna" that permits recognition of gaps with limited clues and emphasizes that, alertness is a process and perspective that helps some individuals to be more aware of changes, shifts, opportunities, and overlooked possibilities and therefore, an entrepreneur is an opportunity identifier who is capable of perceiving and exploiting profitable opportunities whenever the market is in disequilibrium, and that disequilibrium is the normal state of most markets (Kirzner, 1979, 1985). Later on, Kirzner (1985) added to the definition of alertness the notion of a motivated propensity of man to formulate an image of the future. This implies that alertness is

not only about being aware of particular opportunities but also having a clear vision of what they need.

Kaish and Gilad (1991) have tested Kirzner's (1973) concept of alertness and discovered that individuals with high level of entrepreneurial alertness are more likely to identify opportunities than people who do not possess this alertness. They realized that, alert individuals have a "unique preparedness" in consistently scanning the environment and are ready to discover opportunities. In extending this view, Gaglio and Katz (2011) indicate that, some people are better than others at seeing relationships and patterns in information and integrating any new information into their existing schema and therefore, alertness and the development of schemata enable persons to organize and interpret information in various domains of knowledge related to the development of new opportunities. Klein et.al, (2009) assert that, some individuals tend to notice, or be alert to these opportunities, and their actions bring about changes in prices, quantities, and qualities, citing the arbitrageur, who discovers a discrepancy in present prices that can be exploited for financial gain as the simplest case of alertness. Therefore, an entrepreneur needs to be alert to discover opportunities and create new ventures.

Tang et.al, (2012) introduce the aspect of judgment as an important component of alertness, which focuses on evaluating the new changes, shifts, and information and deciding if they would reflect a business opportunity with profit potentials. Accordingly, they define alertness as consisting of three distinct elements: scanning and searching for information, connecting previously-disparate information, and making evaluations on the existence of profitable business opportunities. Information processing is important because it describes the processes of interpreting and combining new information; these processes may lead to new conclusions and

the identification of new business opportunities (Vaghely & Julien, 2010). Tang et al., (2012) has re-emphasized the ability aspect of entrepreneurial alertness and proposed that entrepreneurial alertness rests, at least partly, on the cognitive capacities of prior knowledge and experiences, creativity, and general mental ability (GMA). These cognitive capacities influence how people process information (Tang et al., 2012).

Ardichvili et al., (2013), Baron (2006), and Shane (2003) have continued to advance arguments that alertness involves a proactive stance based on a number of cognitive capacities and processes such as prior knowledge and experiences, pattern recognition, information processing skills, and social interactions. Specifically, McMullen and Shepherd (2006) argue that entrepreneurship fundamentally involves action, and alertness is not entrepreneurial unless it involves judgment and a movement towards action. Chandler and Lyon, (2005) expounds alertness as the ability, developed to the extreme, in an entrepreneur and which, more than others, allows he or she to know where the information required for discovering market opportunities can be found. Drawing from the views of the two scholars, the entrepreneur is therefore the person who, via arbitration, corrects market imperfections by identifying occasions for profit.

Chea (2008) concludes that, higher alertness increases the likelihood of an opportunity being identified, but Busenitz and Arthurs (2010) on their part hold a contrary view. They empirically tested Kaish and Gilad's (1991) proposition that entrepreneurs are more alert to new opportunities and use information differently than managers do and found that, little empirical support exist. They suggested that measures of entrepreneurial alertness needed further development. Dane (2010) however contends that, experience may also constitute a barrier leading to a fixedness in thinking and hindering the integration of new information with

detrimental effects on business opportunity identification. Building from this view, and particularly borrowing from Tang et.al, (2012), this study will conceptualize alertness as having three complementary dimensions: scanning and searching for new information, connecting previously-disparate information, and ability to make evaluations on the existence of profitable business, and examine how these dimensions influence emergence of new ventures.

In line with Kirzner's (1985) work, alert scanning and searching refers to constantly scanning the environment and searching for new information, changes, and shifts overlooked by others. According to Busenitz (1996), alert scanning and search allow entrepreneurs to be persistent and unconventional in their attempts to investigate new ideas and this assists entrepreneurs in building a vast array of domain-relevant information. The second dimension; connecting previously-disparate information corresponds with Kirzner's (1999) later work on alertness and involves pulling together disparate pieces of information and building them into coherent alternatives. Lazear (2008) asserts that, the concept of "connecting previously-disparate information" focuses on receiving new information, creativity, and making extensions in logic, and accounts for how information is applied or extended, and rather than minimizing distractions and focusing on the relevant details of multiple pieces of information, association enables individuals to connect to the big picture so that distant and unprecedented connections can be made. The third dimension of ability to make evaluations on the existence of profitable business refers to judgment which according to McMullen and Shepherd (2006) involves two stages: attention and third-person opportunity; and evaluation and first-person opportunity. The first stage implies the belief an individual has that, a potential opportunity exists for someone, i.e. third-person opportunity, while in the second stage, the third-person opportunity activates

another evaluation process when the entrepreneur decides if it is an opportunity for him or her, i.e. first-person opportunity.

Entrepreneurial alertness needs to be supplemented in this study by information asymmetry to operationalize fully the variable of Kirznerian perspective of entrepreneurial opportunities. Ray and Cardozo (1994) on argue that any identification of opportunity by a prospective entrepreneur is preceded by a state of heightened awareness of information, which state they called entrepreneurial awareness (EA). They define EA as; “a propensity to notice and be sensitive to information about objects, incidents, and patterns of behavior in the environment, with special sensitivity to maker and user problems, unmet needs and interests, and novel combinations of resources”. This understanding of EA had been emphasized by Gaglio and Taub, (1992) who claimed that personality characteristics and the environment interact to create conditions which foster higher EA. Based on this understanding, Venkataraman (2007) highlighted on a “knowledge corridor” to explain that information asymmetry is necessary for opportunities to exist. According to Hayek (1945) and Ronstadt (1988), information asymmetry allows entrepreneurs to recognize certain opportunities, but not others.

2.4.2. Information Asymmetry and New Venture Emergence

In recognition of Kirzner (1979) and Yu (2011) view that opportunities for new venture emergence only exist when a person knows about them, Shane (2003) advanced the argument that, all individuals are not equally likely to recognize a given entrepreneurial opportunity and based on this reasoning, he postulated that entrepreneurs will discover opportunities because prior knowledge triggers identification of the value of new information. He also maintained that, any given entrepreneur would discover only those opportunities related to his or her prior

knowledge. In this respect, Chabaud and Ngijol (2005) contend that, opportunities for new venture emergence have their origins in the existence of asymmetric information between individuals on the market. Von Hippel (1988) asserts that, people tend to notice information that is related to information they already know. Similarly, Kirzner (2008) argues that; any given entrepreneurial opportunity is not obvious to all potential entrepreneurs because all people do not possess the same information at the same time. Therefore, because of information asymmetry, some people will be able to identify entrepreneurial opportunities for new venture emergence while others will not.

From the Austrian economics viewpoint, opportunities exist because different people possess different information and knowledge, and in particular, idiosyncratic prior knowledge leads people to discover certain opportunities (Venkatarman, 2007; Shane, 2010). Furthermore, Shane and Venkatarman (2000) shed more light on entrepreneurship research by emphasizing that, prior entrepreneurial experience increases the probability of identification and exploitation of entrepreneurial opportunities since it helps to develop the mindset and skills necessary to undertake such functions. They further assert; “an entrepreneur will only discover and exploit those opportunities that are related to his already existing knowledge.” According to Shepherd and DeTienne (2005), prior knowledge refers to an individual’s distinct understanding about a particular subject matter and provides the person with the capacity to identify certain opportunities. In this regard, Shane (2009) identifies three major dimensions of information asymmetry that are important to the process of entrepreneurial discovery and include; prior knowledge of markets, prior knowledge of ways to serve markets, and prior knowledge of customer problems. This study will adopt the three dimensions of information asymmetry as identified by Shane (2000) and define the concept as; “any given entrepreneurial opportunity that

is not obvious to all potential entrepreneurs (Kirzner, 1997).” Therefore, in this study, the two concepts of entrepreneurial alertness and information asymmetry will operationalize Kirznerian perspective of entrepreneurial opportunities, and accordingly be examined as to how they influence emergence of new ventures.

2.5. The Process of New Venture Emergence

There has been no shortage of attempts to model the entrepreneurial process in the literature (Dawson et.al, 2009; Van de Ven and Engleman 2004; Reynolds, et al. 2004). However, few scholars have attempted to explain the process of new venture emergence and notable among them are Van Gelderen, Thurik and Bosma (2006) who report that, usually there are four phases distinguished in literature for the process of emergence of new ventures and include: the development of an intention to start an enterprise; the recognition of an entrepreneurial opportunity and the creation of a business concept; assembling of resources and creation of the organization; and finally, starting of the organization to exchange with the markets. According to Reynolds (2010), the first transition begins when one or more persons start to commit time and resources to founding a new firm and if the person(s) start soon their own, and if the new venture can be considered as an independent start-up, they are called nascent entrepreneurs.

Nascent entrepreneurs are individuals who have yet to start a new business, and they possess the desire to start a new business and are involved in specific activities in order to make it happen (Carter et al., 1996). More precisely, Aldrich and Martinez (2001) describes nascent entrepreneurs as individuals who not only say they are currently giving serious thought to the new business, but also are engaged in at least two entrepreneurial activities, such as developing a business plan, investing money, organizing a start-up team, etc. This pre-startup phase is in

literature known under various names, amongst which is new venture emergence (Gartner, Bird and Starr, 1992). This term is related to the first stage in the lifecycle of business startups, namely when potential entrepreneurs are involved in concrete activities to start up a new business before actually owning their new business.

McGee et al. (2009) suggests that, research on entrepreneurship behaviors should include nascent entrepreneurs in order to get a better definition on the motivational antecedents of intentions. Manning et al., (1989) however, noted that many of the theoretical frameworks have been admonished for assuming the process of new venture creation is linear, ignoring both the dynamics and time dimension (Pettigrew 1992). McMullen et al., (2007) argues that; “action, dynamism, time, development and outcomes are important concerns in the development of a conceptual framework” and “a new venture is not created instantaneously; it comes about through the completion of a number of activities over time.” Indeed, Van de Ven and Engleman (2004) and Vaghely & Julien, (2010) among others, stress the need to view the process of new venture creation as a sequence of events or activities that describes how things change over time. However, with few development-driven explanations of process within the entrepreneurial literature, it is not surprising that empirical research is scant and inadequate (Chandler and Lyon’s, 2001).

The process of new venture emergence is critical (Van et al., 2006) and according to Lubynsky (2012); “it is about the genesis of ideas and the emergence of opportunities, the birth of new organizations, their evolution into new companies, and the transformation of entrepreneurs into leaders”. In Uganda, development of Micro, Small and Medium enterprises (MSMEs) is a key to growth of the economy but it is not clear yet, how their creation is to be advanced. This study on

emergence of new ventures seeks to generate evidence that will provide necessary guidance to the formulation and implementation of a comprehensive national MSME policy in Uganda.

The foregoing controversial debates in entrepreneurship literature have direct implications on SME policy development and implementation in Uganda. Savoie (1992) noted the failure to explicitly link development initiatives with theoretical frameworks over two decades ago, and as noted by Stel et al. (2005), the increasing awareness of the influence of entrepreneurship dynamism in the economic growth has been reflected in an extended adoption by public and private institutions of entrepreneurial venture promotion policies (Gilbert et al. 2004). Governments, therefore, are being called upon to be more accountable for their actions, this clearly points to a pressing need for entrepreneurship research (Diochon et.al, 2006), and in particular, a study to identify the critical determinants of new venture creation in Uganda.

2.6. Synthesis of the Literature Review

The field of entrepreneurship continues to struggle with the development of a modern theory of entrepreneurship. A review of entrepreneurship literature reveals that the past twenty five years have seen development of the current theories on entrepreneurship centre on either opportunity recognition or the individual entrepreneur. During this same time period many theoretical insights seem to have come from those in other fields such as economics and management. However, it is realized that, despite the attempts of many entrepreneurship scholars to develop theory in this field there continues to be a lack of consensus about what constitutes entrepreneurship theory and no generally acceptable theory of entrepreneurship has emerged. This view is also supported by Gartner (2011) who suggests that, all those in the field of

entrepreneurship including he himself, are unconscious about the assumptions they make in their theoretical perspectives.

There is no single definition of Entrepreneurship as several scholars have labored in trying to define it focusing on different perspectives. For instance, Bula ((2012) points that, some researchers look at entrepreneurship from the economics view, sociology and psychology, others look at it from the management perspective, while other scholars have looked at it from the social perspective. Entrepreneurship therefore seems to be a multidimensional concept, which has affected the legitimacy of entrepreneurship as an academic field. There is therefore need to integrate different perceptions to come up with a universally acceptable definition of entrepreneurship, taking care of different schools of thought and understanding.

Recently, a lot of emphasis seems to have been put on understanding where opportunities come from, but unfortunately, the issue of how these opportunities are discovered is until now, not yet resolved. Many empirical studies focusing on new venture creation have been undertaken at the global level but mostly in developed countries. For instance: in Australia, Gordon (2012) undertook a study on dimensions of the venture creation process, questioning why some venture creation processes are more successful than others. He discovered variations in the venture creation process which could occur along a number of dimensions including; venture creation action, venture creation temporal dynamics, and venture creation sequence. Rasmussen (2005) on his part has studied the process of new venture creation in a University setting in Norway. He discovered that, different sets of resources seem to be important as the new venture project develops over time. Brett et.al, (2010) on their part undertook a research in Hong Kong to explore how university students could establish new businesses and the extent to which the

universities were involved throughout the business creation process. They realized that the business creation process and its stages were not linear and more so, influential factors like the attributes of the entrepreneur and the environment have to be taken into account when speaking about the start-up of a company.

De Jong et.al, (2010) in their empirical investigation of opportunity types explored the distinction between Schumpeterian and Kirznerian opportunities by analyzing survey data of 184 high tech small business entrepreneurs engaging in opportunity exploitation in Netherlands. They discovered that Schumpeterian opportunities are found more often in relatively innovative organizations (i.e. new-to-the-markets product introductions, patents and university collaborations) and pursued in rapidly growing and turbulent markets, while the Kirznerian type prevail in markets with strong incumbent competition. A further review of entrepreneurship literature reveals that limited research on new venture creation has been carried out in Sub Saharan Africa, and there's virtually none for the case of Uganda.

From Entrepreneurship literature, two outstanding theories are cited and these include: discovery theory and creation theory. However, these two theories contradict each other. Neither the discovery theory of Shane and Venkataraman (2000) nor the creation theory of Alvarez and Barney (2007) separately demonstrate in full the process concerning the emergence of new ventures. In this proposed research we would like to explore another theoretical perspective; “the achievement motivation theory” and integrate it with discovery theory because we believe that these two theories need to be integrated in order to cover actual action when it comes to emergence of new ventures. We have opted not to integrate discovery theory with creation theory because it appears that, if the conditions of one of these two theories hold, then the

conditions of the other cannot hold, and vice versa. Besides, some other inclusive scholars of entrepreneurship have already tried to integrate assumptions from both of these theories but according to Alvarez (2010), such efforts are unlikely to be successful in pushing theory development in the field. We strongly believe that; emergence of new ventures is a product of being alert, informed, and having strong need of achievement. Both of these constructs are deep rooted in discovery theory and achievement motivation theory respectively. Therefore, this study on Using Kirznerian Perspective of Entrepreneurial Opportunities to Predict Emergence of New Ventures in Uganda, will rely on two theoretical perspectives i.e. discovery theory and achievement motivation theory to develop an integrative model for emergence of new ventures.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This chapter includes a detailed description of the research methodology. The chapter explains how the study will be executed. The chapter explains the research design, study population, determination of the sample size and sampling techniques and procedures, data collection methods and instruments, validity and reliability checks, procedure of data collection, measurement of variables, data analysis and ethical considerations.

3.2. Research Design

The study will use a cross-sectional design whereas a mixed method approach will be adopted. A survey is a detailed investigation into the characteristics of a population as expressed at a particular point in time (Leedy, 1997: 192). According to Kumar (2005:77), cross sectional surveys are ideally suitable for studies that require rapid data collection and an understanding of the population from a part of it and they take place at a single point in time and do not involve manipulating variables. Tuckman (1994: 238) suggests that in cross sectional surveys, the study sample represents a cross-section of the target population and notes that cross-sectional design is good for establishing the prevalence of a phenomenon across the whole population. This research will employ a cross-sectional design because it has to be completed in two years as is the norm by international standards for an ideal doctoral study. The cross sectional survey will enable the researcher to provide both numeric and non-numeric descriptions of some part of the

population to explain emergence of new ventures in Uganda within the most appropriate and generally acceptable time period.

The study will adopt a mixed method approach that involves the intentional collection of both quantitative and qualitative data and the combination of the strengths of each to answer research questions (Johnson and Onwuegbuzie, 2007). This is due to the nature of data required for this study. According to Creswell and Plano Clark, (2011) there are three approaches of integrating multiple forms of data including; merging data, connecting data, and embedding data. This research however will use the approach of connecting data. Creswell & Plano Clark, (2011) notes that the integration involves analyzing one dataset (e.g., a quantitative survey), and then using the information to inform the subsequent data collection (e.g., interview questions, identification of participants to interview). In this study, a quantitative survey will be carried out first and then followed by the qualitative survey. Integration will occur by connecting the analysis of results of the quantitative survey with the data collected in the qualitative survey.

3.3. Study Population

While all entrepreneurs in the country would have been the ideal population, due to its broad and scattered nature throughout the country and there are no adequate resources including finance and time, this study will focus on only those entrepreneurial ventures that were registered with the Uganda Registration Services Bureau (URSB) during the months of January 2013 to October 2014. This is because the proprietors of such enterprises are still fresh with ideas of how they created their enterprises. Furthermore, the study will focus on only those proprietors whose entrepreneurial ventures are located in each of the four urban councils, each representing a particular region: Kampala City) in Central region; Mbarara Municipality in Western region;

Gulu Municipality in Northern region; and Mbale Municipality in Eastern region. It is in these particular representative urban areas where the biggest concentration of enterprise establishments is located in the respective 4 major regions of Uganda.

Statistics obtainable from URSB company register indicate that, out of a total of 1107 entrepreneurial ventures that were registered in Uganda between January and June 2014, 532 are situated in the targeted geographical locations; with 168 of them located in KCCA, 137 in Mbarara, 111 in Mbale and 116 in Gulu. Furthermore, of the 532 different entrepreneurial ventures located in the four urban councils; 119 of them in the sector of manufacturing, 206 in trade, 87 in agribusiness and 120 in the services sector i.e. hotels, health care, transport, etc. Sampling frames will be compiled for each of the sectors because not all the 523 different operating entrepreneurial ventures can be reached in this study.

3.4. Determination of the Sample Size

The sample size of the study will consist of 223 entrepreneurial ventures. This sample size has been determined using software for power and sample size calculator, considering a confidence interval and confidence level of 5 and 95% respectively. For each selected entrepreneurial venture, the founder/proprietor will be identified for the study. The proportion of each sample size to the population for each stratum is 0.42. Table 1 below shows the cluster, number of entrepreneurial venture per the stratum, sample size per stratum and sampling strategies.

Table 1

Cluster	Number of entrepreneurial ventures per stratum					Sample size per stratum					Sampling Strategy
	Manuf	Trade	Agribus	Service	Total	Manuf	Trade	Agribus	Service	Total	
Kampala City	31	48	26	63	168	13	20	11	26	70	Clustered, stratified random and purposive sampling
Mbarara Municipality	26	46	33	32	137	11	19	14	13	57	Clustered, stratified random and purposive sampling
Gulu Municipality	18	32	37	29	116	8	13	16	12	49	Clustered, stratified random and purposive sampling
Mbale Municipality	12	40	28	31	111	5	17	12	13	47	Clustered, stratified random and purposive sampling
Total	119	206	87	120	532	37	69	53	64	223	Clustered, stratified random and purposive sampling

3.5. Sampling techniques and procedure

The study will use both probability and non-probability sampling techniques (Amin, 2005) and will employ a multi-stage sampling approach, involving clustered and stratified random, and purposive sampling strategies. According to Cohen and Manion (1994), probability sampling is where the probability of selection of each respondent is known, which implies that every element of the sampling population has an equal chance of being included in the sample. Peil (1995) contends that non-probability sampling is used when adequate sampling frames are not available. For this study, a register of 532 entrepreneurial ventures from Kampala city and the three municipalities of Mbarara, Mbale and Gulu that were registered between the periods; January to June 2014 is available and will be provided to the researcher by URBS management. Clustered, stratified random and purposive sampling are being preferred as the more appropriate strategies to select the enterprises because the population of this study is heterogeneous (i.e. in terms of

geographical spread and entrepreneurial activity as indicated in table 1 above). This is in line with Burns (1997) who asserts that clustered and stratified sampling serves heterogeneous populations that enable the dividing of the population into sub-populations, each of which is homogeneous.

The researcher will cluster all the new ventures on the list provided into four regions i.e. Kampala, Gulu, Mbale and Mbarara and divide each region into sectors i.e. trade, service, manufacturing, and agribusiness, which will constitute the four strata. The stratum size will be made proportionate to the population size using the factor of 0.42. A list of each stratum will be compiled alphabetically and a sampling frame drawn from it. From each sampling frame a number of new ventures corresponding to the size of the particular stratum will be selected as sampling units using the simple random sampling technique. However, a list of names for the proprietors/founders of the entrepreneurial ventures is not available. Therefore, from each sampling unit, the researcher will purposively select one founder or proprietor of the selected venture to serve as a respondent.

The respondents in this study will be selected purposively because the researcher has conviction that the data to be collected is focused and requires only those individuals with relevant knowledge and capacity to provide the information being sought. This is in line with the views of Cohen and Manion (1994) and Amin (2005), who contend that, purposive sampling is a technique where the researcher consciously decides who to include in the sample and mainly based on the participant's typicality and/or because they are satisfactory to the research needs. The respondents in this study cannot be selected randomly or accidentally because the nature of information required is held by only founders or proprietors of new ventures. Purposive sampling

technique will therefore be used to ensure that only respondents with the right and proper information are the only ones selected.

3.6. Data Collection Methods

The researcher will adopt triangulated mixed methods, which will involve both collecting and analyzing quantitative and qualitative data. The collection of quantitative data will involve using a closed-ended checklist, on which the researcher will check the behaviors seen. More quantitative information is expected to be found in documents. On the other hand, qualitative data will involve using open-ended questions asked during face-to-face interviews and by observing participants and sites of research. The datasets will be mixed by connecting the two datasets to have one build on the other. This mixed data will form a more complete picture of the problem than if each method stood alone.

3.7. Data collection instruments

The study will employ a closed-form questionnaire, consisting of a list of questions and statements calling for information about how new ventures emerge. Questions will be presented together with their possible responses for the respondents to choose from. Instructions will be provided by the researcher to guide respondents on how to answer the questions. According to Cohen and Manion, (1994); closed-form questionnaires are best used if the purpose of the research is to generate more generalized responses. In this study, the questionnaire will be used to gather facts, opinions, perceptions and beliefs of respondents to establish the determinants of new venture emergence in Uganda.

The interview guide will also be used as a data collection instrument, which will provide information to guide the interview process. Although Patton (2002) describe unstructured interviews as a natural extension of participant observation that rely entirely on the spontaneous generation of questions in the natural flow of an interaction, in this study the researcher will try to encourage the interviewees to relate experiences and perspectives that are relevant to the problems of interest to the critical determinants of emergence of new ventures in Uganda. This is in line with Fife (2005)'s suggestion that the researcher should keep in mind the study's purpose and the general scope of the issues that he or she would like to discuss in the interview. The structure of the interview in this study will therefore be loosely guided by an aide memoire or agenda, which according to McCann and Clark (2005), is a broad guide to topic issues that might be covered in the interview, rather than the actual questions to be asked. Burgess (1984) contends that an aide memoire is open-ended and flexible and does not determine the order of the conversation, but rather is subject to revision based on the responses of the interviewees. Unstructured interviews are especially useful for studies attempting to find patterns, generate models, and inform information system design and implementation (McCann & Clark, 2005). This study seeks to generate information that will be used to inform policy making processes in Uganda and other developing countries.

Observation checklists will also be used as data collection instruments in this study. This instrument will contain a list of all items that the researcher will observe including; institutional concept notes, business plans, progress reports, fliers, calendars, and any other official publications of the venture institutions under the study.

3.8. Pre-Testing

Before administration of the tools, the researcher will rigorously test for the validity and reliability of the instruments to ensure that each item has a validity index of at least 0.6 and a reliability coefficient of at least 0.7. This is to meet acceptable standards suggested by Synodinos (2003) who argue that the higher the validity and reliability of an instrument, the more truthful and consistent the data collected by it will be. Similarly, Amin (2005) contends that the quality of data provided by an individual actually depends on how much information he or she has about the situation being studied, just like it depends on how well the instrument for collecting it is administered. Cohen and Manion, (1994) comments that attention to design and format of survey questions, particularly making sure that questions are easy to understand is essential to assisting with completion rates.

The questionnaire and interview guide will be given to two Doctoral Supervisors for rating. Each Supervisor will be asked to rate each item in the questionnaire for validity by checking whether each item is “relevant”, “quite relevant”, “quite irrelevant” or “irrelevant”. Judgment of the two Supervisors will be compared for each item to provide information for calculating the content validity index (CVI). Any item with validity lower than 0.60 will be rephrased, adjusted, or discarded altogether. The questionnaire will then be piloted on 10 respondents outside the targeted actual sample. Finally, based on the findings from the pilot-testing, the researcher will re-design the instrument to improve the reliability and the validity of data. Similarly, the interview guide will be tested on respondents from three entrepreneurial ventures that will not participate in the main study. The Kuder-Richardson coefficient (Cohen et.al, 1994) will be used to establish their reliability and if the reliability is found to be less than 0.70, specific items will be studied for adjustment.

3.9. Procedure of Data Collection

The researcher will seek for an introductory letter from the University, which will be used to indicate to all those concerned that the exercise being carried out is purely for academic purposes and poses no danger to anyone including Government or the participants. Thereafter, the Registrar of companies will be contacted and requested for a list of all entrepreneurial ventures that are located in the greater Kampala metropolitan area and were registered in the period between July-December, 2013. The researcher will then develop a sampling frame and randomly select companies that will participate in the study. After establishing the list of participants, the researcher will seek appointment and meet with the respective Resident Commissioners of the areas under the study to enlist their cooperation and support.

Onsite visits will be conducted to all selected companies to identify and seek the consent of every individual participant and have him or her sign a consent form.

3.10. Data Analysis

The researcher will be involved in data preparation that shall include; logging the data in, checking the data for accuracy, entering the data into the computer, transforming the data, and developing and documenting a database structure that will integrate the various measures describing the data; and testing the hypotheses. Data from the observation checklist, questionnaire items and interview guide will be grouped under broad themes and converted into frequency counts using a computer based statistical package; “SPSS (Statistical Package for Social Scientists)”. The ANCOVA (analysis of covariance) will be used to analyze the data.

ANCOVA is a statistical method used to remove the effect of extraneous variable known to influence the dependent variable even when the groups do vary in characteristics (Amin, 2005).

A Pearson Product Moment Correlation will also be used to analyze the data. Correlation test is a statistical technique used to measure the degree of association between two or more scores or between two or more variables that have been obtained from the same group of subjects (Amin, 2005). Correlation will be used because the researcher would like to predict and describe the association between more than two variables in terms of magnitude and direction. Furthermore, some regression of the independent and dependent variables will be carried out. All data will be analyzed at a level of significance of 95% and the degrees of freedom depending on the particular case as will be determined. This value of 95% has been chosen because the sample size has been adopted from figures calculated on the basis of .95 level of confidence.

3.11. Measurement of Variables

The researcher will develop a closed-form questionnaire and an open-ended questions interview guide for the study. The researcher will provide instructions to guide respondents on how to answer the questions. The unit of analysis will be the entrepreneurial venture or company, and the target respondent will be the proprietor or the person who founded the venture. The variables of the study will be measured by use of the 5-point bipolar scale developed by the researcher, which as Tuckman (1994) recommends, a Likert Scale is used to assess the extent to which a respondent agrees or disagrees with a statement of an attitude, belief, or a judgment and consists of a series of statements about which respondents indicate their levels of agreement or disagreement by marking at an appropriate point for each statement. The levels of agreement or disagreement corresponding to each statement in the questionnaire will be: “strongly agree”,

“agree”, “undecided”, “disagree”, “strongly disagree”, in that order. These levels will be coded from 1 to 5 respectively. For every respondent, the total score on the questionnaire will be obtained.

The scale will measure the degree to which the 5-dimensions of Kirznerian perspective of entrepreneurial opportunities that include: ability to scan and search for new information; ability to connect previously-disparate information; prior knowledge of markets; prior knowledge of ways to serve markets; and, prior knowledge of customer problems indirectly contributes to the dimensions of emergence of new ventures that include: seeking startup funding; hiring employees; developing product and/or services; and, setting up an enterprise, through the mediation of need for achievement, as operationalized by desire to undertake challenging tasks; desire to pursue excellence; desire to succeed in competition; and, commitment to overcoming difficulties. The interview guide will comprise the elements in the framework that will form the list of five major themes from which interview questions will be derived during the interview.

The tools selected are not only relevant but also the best for collecting attitudinal and perceptual data from respondents with high literacy ability, and who have nearly full-time exposure to conditions related to the study variables (Peil, 1995). The selection of this tool has been guided by the nature of data to be collected, the time available as well as the objectives of the study. Besides, the tool is being considered most appropriate because it will allow for effective face to face interaction between the researcher and the respondents, which in turn will improve the quality of response and the response rate.

Limitations and Assumptions

There are some factors considered to be beyond the control of the researcher in the research situation, yet they are capable of influencing the results of the study. They include:

1. Displacement and/or change of location of entrepreneurial from the urban centers. This will make the exercise of identifying respondents rather complicated. The researcher will first confirm physical location of the ventures before including them on the sampling frame.
2. Busy schedules for founders/proprietors of entrepreneurial ventures. This may not allow for adequate time of face-to-face interaction. The researcher will try to make advance appointments to schedule meeting at appropriate time period for the convenience of respondents.

3.12. Ethical Considerations

Four ethical considerations recommended by Amin (2005) will be made in this study. This is because both the study method and the study condition will not pose any danger to the participants. The researcher will seek the consent of every participant and have him or her sign a consent form. To cater for the privacy and confidentiality of sensitive information provided by the respondents, the researcher will leave every record anonymous. Instead of names, identification numbers will be used so that no information can be traced to any respondent. Before the data collection exercise, the researcher will seek permission from Resident District Commissioners of the respective districts and from the Chief Executive Officers of all selected participating ventures. This should be able to cater for access and acceptance. Finally, all participants will be informed of their right to participate voluntarily, and of their freedom to withdraw from participation in the study. This is to cater for voluntary participation.

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Appendices

1. Work plan and Timeframe
2. Questionnaire
3. Interview guide

Appendix 1: Work plan and Timeframe

Activity	Duration (Months)	Dates
Pre-testing the survey tool	1	1 st -30 th October, 2014
Data collection	6	1 st November 2014-31 st May, 2015
Data analysis	2	1 st June-31 st July, 2015
Writing Journal Articles and the Draft Report	9	1 st August, 2015- 1 st May, 2016
Defense and Submission of final Thesis	4	1 st June- 30 September, 2016

Appendix 2: Emergence of New Ventures in Uganda Survey questionnaire

Directions for proprietors/founders of New Ventures

I would like to invite you to participate in a study on emergence of new ventures. Emergence of new ventures has been identified as a key factor in accelerating economic growth in Uganda. The emergence of new ventures’ Survey will help identify the critical determinants of new venture creation in Uganda. We know that you are a busy person but we ask kindly that you take just 15-20 minutes to help contribute to this very important research project.

This questionnaire contains statements about your willingness in participating in this survey. You will be asked to express your agreement on each statement. In completing each statement, don't worry or puzzle over individual statements. There is no right or wrong answers. Work quickly and show your level of agreement or disagreement with the statements given by ticking in the appropriate box for each statement indicating whether you:

- 1) Strongly agree
- 2) Agree
- 3) Undecided
- 4) Disagree
- 5) Strongly Disagree

Some of the questions may seem similar to you, or may not be worded exactly the way you would like them to be. Even so, give your best estimate and continue working through the questionnaire. Be sure to give an answer for all questions. If you change your mind about an answer, just cross it out and tick in the proper box. There is no “right “or “wrong” answers. Your opinion is what is wanted. Simply give your opinion about all statements.

Please be assured that all your information WILL BE TREATED AS STRICTLY CONFIDENTIAL AND WILL BE COMBINED WITH ALL OTHER RESPONSES TO FORM AN OVERALL PICTURE.

Section A: Background Characteristics

Age.....Gender.....Level of education.....

Marital Status..... Has one of your parents created his/her own business: Yes/No?

If yes; description of businesses pursued:

Question	1 Venture	2 or 3 Ventures	4 or more Ventures
1. How many new, major businesses have you pursued in the last five years?			

2. How many of these new business opportunities can be said to be successes?			
3. How many of these new business opportunities were unrelated to your existing business at the time?			

Did you work or help in any small business immediately before starting your own: Yes/No. If yes; description of businesses pursued:

Question	1 Venture	2 or 3 Ventures	4 or more Ventures
4. How many new, major businesses have you pursued in the last five years?			
5. How many of these new business opportunities can be said to be successes?			
6. How many of these new business opportunities were unrelated to the existing business at the time?			

Section B: Independent Variables

Entrepreneurial alertness

Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale:

“Strongly agree (1)”; “Agree (2)”; “Undecided (3)”; “Disagree (4)”; and “Strongly Disagree (5)”.

Statement	(1)	(2)	(3)	(4)	(5)
<i>Ability to scan and search for new information</i>					
1. I have frequent interactions with others to acquire new information.					
2. I always keep an eye out for new business ideas when looking for information					
3. I read newspapers, magazines, or trade publications regularly to acquire new information					
4. I browse the Internet every day.					
5. I am an avid information seeker					
6. I am always actively looking for new information.					
<i>Ability to connect previously-disparate information</i>					

7. I perceive new relationships between various pieces of information.					
8. I see links between seemingly unrelated pieces of information.					
9. I am good at “connecting dots.”					
10. I often see connections between previously unconnected domains of information.					

Adapted from Tang et.al, (2012)

Information Asymmetry

Please rate how much you agree/ disagree with each statement below, using this scale:

“Strongly agree (1)”; “Agree (2)”; “Undecided (3)”; “Disagree (4)”; and “Strongly Disagree (5)”.

<i>Prior Knowledge of markets</i>	(1)	(2)	(3)	(4)	(5)
11. I know how to serve markets					
12. I am always actively looking for new information					
13. I have rich knowledge about markets such as supplier relationships, sales techniques, capital equipment retirement					
14. In comparison to other people in my community, I have better information regarding the activities in my business					
15. Other people bring new venture business ideas to me.					
<i>Prior knowledge of ways to serve markets</i>					
16. I can recognize new venture opportunities in industries where I have no personal experience.					
17. The new venture opportunities I have recognized over the years have been mostly related to each other.					
18. Recognizing good opportunities usually requires “immersion” in a specific industry or market place.					
19. I have frequent interactions with others to acquire new information					
20. My experience with new venture ideas results in both failures and successes.					
<i>Prior knowledge of customer problems</i>					
21. New business opportunities often arise in connection with a solution to a specific problem.					
22. I listen extremely well to what customers say they want.					
23. I listen extremely well to what customers say they don’t want					

as a way of identifying opportunities.					
24. Identifying opportunities is really several learning steps over time, rather than a one-time occurrence.					
25. I am familiar with customer problems					
26. Being creative is very important to identifying business opportunities.					

Adapted from Shane (2003)

Section C: Dependent Variable

Emergence of New Ventures

Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale:

“Strongly agree (1)”; “Agree (2)”; “Undecided (3)”; “Disagree (4)”; and “Strongly Disagree (5)”.

<i>Seeking startup funding</i>	(1)	(2)	(3)	(4)	(5)
27. Initial financial capital for my new venture was obtained from my own savings.					
28. My parents or relatives provided the initial financial capital for my new venture.					
29. I obtained initial financing for my new venture from an informal money lender					
30. I obtained a debt from a formal financial institution for the initial financial capital of my new venture					
31. An investor provided initial capital as equity for our new venture.					
<i>Hiring Employees</i>					
32. Setting up a new venture requires the founder to become fully employed by the venture.					
33. Setting up a new venture does not require hiring any full time experts at the very beginning.					
34. You need to recruit fewer than five employees when setting up a new venture					
<i>Developing Products and/or services</i>					
35. My new venture does not offer products or services which are entirely new compared to what other companies have offered					

previously.					
36. My new venture does not offer products or services which completely lacks equivalence in my community.					
37. My new venture increased the rate of new product introductions to the market.					
38. My new venture developed a large variety of new product lines					
39. My new venture has reduced the time between the development and market introductions of new products					
<i>Setting up an enterprise</i>					
40. It takes less than three months to think about starting a new venture and making the first sales out of it.					
41. Registering a new venture with Uganda Registration Services Bureau takes less than one month.					
42. It takes less than three months for the new venture to generate net monthly revenue that exceeds monthly expenses.					

Adapted from Alvarez (2010)

Section D: Mediating Variable

Entrepreneur's Need for Achievement

Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale:

“Strongly agree (1)”; “Agree (2)”; “Undecided (3)”; “Disagree (4)”; “Strongly Disagree (5)”.

<i>Desire to undertake challenging tasks</i>					
43. I like to work hard.					
44. I would rather do something which is challenging than something at which I feel familiar and relaxed.					
45. I would rather learn difficult thought games than easy fun games.					
46. I more often attempt tasks that I'm not sure I can do than tasks I believe I can do.					

47. I like to be busy all the time.					
<i>Desire to Pursue excellence</i>					
48. The more talents I acquire, the more successful I believe I will be.					
49. I enjoy improving upon my past performance.					
50. I dislike situations in which I am not sure of the result.					
51. I prefer to do things that require a high level of skill.					
52. If I'm not good at something I would rather keep struggling to master it than move on to something I may be good at.					
<i>Desire to succeed in competition</i>					
53. I enjoy being in competition with others.					
54. I try harder when I'm in competition with other people					
55. It annoys me when other people perform better than I do					
56. It is important to me to perform better than others on a task					
57. I feel that winning is important in both work and games					
<i>Commitment to overcoming difficulties</i>					
58. I find satisfaction in doing things as well as I can.					
59. Once I undertake a task, I persist.					
60. Doing something better than I have in the past is very satisfying.					
61. I find satisfaction in exceeding my previous performance even if I don't outperform others.					
62. I generally prefer difficult tasks more than easy tasks					

Adapted from AMI (Schuler et al.,2004)

Thanks for helping.

Appendix 3: interview Guide

Emergence of New Ventures in Uganda Survey

Agenda for the Unstructured Interview

- 1. Self introduction of the researcher discussing the following:**
 - i. Name, occupation and program
 - ii. Purpose of the study
 - iii. Ethical considerations
 - iv. Procedure of the interview
- 2. Discussion on how ability to scan and search for new information could have helped the interviewee in:**
 - i. Seeking for startup funding.
 - ii. Hiring of employees
 - iii. Developing Product and/or services
 - iv. Setting up an enterprise
- 3. Discussion on how ability to connect previously-disparate information could have helped the interviewee in:**
 - i. Seeking for startup funding
 - ii. Hiring of employees Developing
 - iii. Product and/or services
 - iv. Setting up an enterprise
- 4. Discussion on how prior knowledge of markets could have helped the interviewee in:**
 - i. Seeking for startup funding
 - ii. Hiring of employees Developing
 - iii. Product and/or services
 - iv. Setting up an enterprise
- 5. Discussion on how prior knowledge of ways to serve markets could have helped the interviewee in:**
 - i. Seeking for startup funding
 - ii. Hiring of employees
 - iii. Developing product and/or services
 - iv. Setting up an enterprise
- 6. Discussion on how prior knowledge of customer problems could have helped the interviewee in:**
 - i. Seeking for startup funding
 - ii. Hiring of employees
 - iii. Developing products and/or services
 - iv. Setting up an enterprise
- 7. Concluding remarks by the researcher.**
 - i. Appreciate the interviewee's time
 - ii. Promise to share the results of the study with the interviewees