OPPORTUNITY EVALUATION AT THE BOTTOM OF THE PYRAMID: BEYOND RULE-BASED REASONING (INTERACTIVE PAPER)

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OPPORTUNITY EVALUATION AT THE BOTTOM OF THE PYRAMID: BEYOND RULE-BASED REASONING

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Principal Topic
Very little is known about the micro-level foundations of entrepreneurship at the bottom of the pyramid (BOP) (Bruton, Ketchen, & Ireland, 2013). Micro-level processes at the BOP remain especially overlooked in the context of opportunity evaluation, despite of its critical role in the entrepreneurship process (Wood & McKelvie, 2015).

It is generally agreed that opportunity evaluations are future-focused judgments (Haynie, Shepherd, & McMullen, 2009; Williams & Wood, 2015) because an individual has to imagine what the future returns could be if (s)he actually exploited the opportunity. However, individuals at the BOP who experience extreme resource constraints tend to be so much focused on present problems of scarcity (Mani, Mullainathan, Shafir, & Zhao, 2013), that they neglect future issues (Shah, Mullainathan, & Shafir, 2012).

Nevertheless, many individuals at the BOP do run their own enterprises, meaning that they must have gone through a process of opportunity evaluation to decide to exploit “Opportunity A but not Opportunity B” (cf. Haynie et al., 2009). This raises an important question on which we focus in this study: How do individuals at the BOP evaluate entrepreneurial opportunities?

Method
We used a multiple case-study design to induct new theory (Eisenhardt, 1989). All our cases were sampled from 1 economically very disadvantaged village in rural South Africa. In total, we interviewed 19 individuals who were running a business and 10 individuals who wanted to have a business. Our interview data was further triangulated with photos, observational data and other secondary data sources.

Results and Implications
Our primary finding was that individuals’ time-related cognitions (e.g. temporal focus) determined the use of associative (e.g. intuitive judgments, heuristics, etc.) and rule-based reasoning (Dane & Pratt, 2007; Williams & Wood, 2015). These findings advance our understanding of the process of opportunity evaluation and thereby contribute to the recent call for “a more nuanced understanding of the applicability of analytical versus associative reasoning (or other relevant cognitive processes and structures) in opportunity evaluation” (Williams & Wood, 2015). Our findings also raise important questions on the role of extreme resource constraints in determining reasoning processes in opportunity evaluation.

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