

## **Serendipity and its role in the discovery of entrepreneurial opportunities**

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### **Abstract**

This paper examines the role of serendipity in the entrepreneurial process in the context of Glasgow's music industry. The study draws upon primary evidence with 21 music-entrepreneurs to provide an empirical account of how serendipity acts as the bridge between causal and effectual logic within the opportunity identification process.

### **1. Introduction**

Most of us can recall a personal experience of dumb luck or an uncanny coincidence, such as thinking of an old school friend, and then soon afterwards bumping into them on the street. This alignment of unlikely events is what Carl Jung (1955) termed *synchronicity*: events offering a glimpse into the order things. Entrepreneurship literature is full of stories of entrepreneurs searching for one thing and finding another. As Dew (2009, p. 735) explains, "entrepreneurship is a series of random collisions", and while entrepreneurs may start out with a systematic plan of action, they may ultimately follow a different path through luck, accident or a chance encounter. Yet, while it is widely acknowledged, a detailed discussion of the nature of fortuitous discoveries or serendipitous encounters is largely absent from the prior literature on the entrepreneurship process (Moroz and Hindle, 2010).

This study supports Dew's (2009) argument that serendipity lies between the planned and unplanned approach, or between causation and effectuation (Sarasvathy, 2001), and provides a bridge between the two. Thus, while the literature suggests that entrepreneurial opportunities are more likely to be the result of a systematic search (Shane and Venkataraman, 2000) than a fortuitous discovery, this study suggests that the combination of "accident and sagacity" is

particularly important to entrepreneurs and is therefore directly relevant to the study of entrepreneurial process (*Ibid*, 2009, p.753).

## **2. Serendipity as an Entrepreneurial Construct**

Serendipity remains an ambiguous term, though modern definitions suggest it is the gift of making discoveries by accident when an individual connects with their surrounding environment (Martello, 1994). Few scholars have addressed the role of serendipity in relation to entrepreneurship (Moroz and Hindle, 2010). Shane and Venkataraman (2000) argue that this is because to attribute serendipitous opportunity discoveries to mere luck or chance may overlook the importance of preparation (resulting from education, analysis and persistence). Dew (2009) however argues that serendipity is not luck but rather relies on prior knowledge. For him serendipity is at the heart of entrepreneurship literature on opportunity identification, discovery, and creation. Dew (2009, p. 739) suggests that serendipity “involves the interaction of three elements (i) a resource (sagacity), (ii) an event (contingency), (iii) an activity (the individual is already on a journey). Sound judgment is also necessary to determine if an event can be acted upon”. These three overlapping elements result in four opportunity discovery ‘spaces’:

“...a space where opportunities are discovered as the result of the systematic exploration of knowledge corridors; a space where opportunities are discovered as a result of spontaneous recognition (of new information); a space where search and contingency result in pre-discoveries (ie they may think it’s an idea but without the relevant knowledge it is useless); and finally, a space where serendipities occur” (*Ibid*, p. 747).

These opportunity spaces provide significant justification for the inclusion of serendipity in entrepreneurship research for two reasons. First, the role of contingency is welcomed as a trigger event in opportunity discovery (Bygrave, 1989) and second, acknowledgement that not all opportunities are “out there” waiting to be discovered (Kirzner, 1997, p. 72).

### *2.1 Effectual Contingencies in Entrepreneurship*

As yet, few entrepreneurship scholars have examined the role of serendipity in the entrepreneurial opportunity process, and examined how to reconcile the paradox between deliberate search and chance encounters. However Dew (2009) draws our attention to the process of effectuation, because it suggests that a predisposition to flexibly exploit contingency is a central element in the behaviour of entrepreneurs. He stresses that effectuation theory is framed as a “general theory of decision-making in uncertain situations” (Sarasvathy, 2008, p. 15), and is used to explain the non-linear nature of opportunity recognition; entrepreneurs in uncertain situations base their decisions on what they can afford to lose rather than on expected returns.

Sarasvathy views the individual as responsible for initiating the process through either *causation* or *effectuation*. The causation process is goal oriented, beginning with a multitude of possible alternatives, from which the potential entrepreneur selects what they think will be the best, fastest and most economically efficient idea, suitable for their skills and resources. In the effectuation process, the set of means is taken as a given. The individual seeks to expand their horizons, from a variety of “localized possibilities to increasingly complex and enduring opportunities fabricated in a contingent fashion over time” (Sarasvathy, 2003, p. 208). In effectuation, the end goal remains uncertain. Neither the opportunity nor the market has yet been developed, and both are contingent on who gets involved and how their abilities and actions will shape the direction of the venture (Read and Sarasvathy, 2005).

Effectuation is the inverse of causation, as its logic is based on the premise that “the extent to which we can control the future, we do not need to predict it” (Sarasvathy, 2003, p. 16). Rather than planning around an uncertain future, effectual entrepreneurs work based on “who they are”, “what they know”, and “who they know”. Because the effectual entrepreneur’s world is driven by human action, relationships are a matter of design rather than decision and are organic in nature. The effectual entrepreneur embraces unanticipated serendipities, asking: “What can I do with the means I have?” Effectuation therefore illustrates what could be rather than claiming truth about what is.

Yet, few studies address the central role of serendipity or its practical application and its role within the entrepreneurship process, and even fewer have identified it as central in the process itself. This paper looks to address this gap and provide an empirical account of grassroots-level

entrepreneurs and how serendipity acts as the bridge between causal and effectual logic within the opportunity identification process.

### **3. The Research Context and Approach**

Given the emergent nature of the creative industries and the unique characteristics of those involved in them, an interpretivist research design was chosen in order to gather detailed information on the opportunity identification processes of music entrepreneurs (Shaw, 1999). Data were collected through in-depth, exploratory interviews, specifically designed to elicit information about hard-to-measure concepts and to allow the researcher to interpret and understand the participants' perspectives of social reality (Golden-Biddle and Locke, 2007).

#### *3.1 Sample Selection*

More than 80 individuals working in the music industry in Glasgow were contacted, each had to be involved as an artist, producer, manager, label or studio, or in distribution, such that the final sample was capable of representing several strands of the industry's value chain and all four functions of creation, facilitation, commercialisation and consumption (see Figure 1).

INSERT FIGURE ONE ABOUT HERE

With 21 of those who responded making up the final sample (see Table 1).

INSERT TABLE ONE ABOUT HERE

#### *3.2 Data Collection Methods*

The interviews were based around three key areas: the background and experience of the individual entrepreneurs (motivations, career, education, family); the start-up process (how the opportunities emerged or were created); and the relationships within the creative community which the participants felt had supported them through start-up and growth (the role of personal and professional networks). The interviews were recorded and transcribed verbatim by the principal researcher and facts were checked before the transcript of their interview was presented to each participant for their final approval. This involved a review of previous

interviews from news articles, press cuttings, websites, social networking sites, blogs, and forums, as well as any written documents relating to the entrepreneur and/or their business.

### *3.2 Data Analysis*

The analytical process was an iterative process, beginning with the interview process and ending with the analysis process (Eisenhardt, 1989). Following the tentative initial analysis of the transcripts and information described above, the data was classified across cases into first-order, second-order and clustered themes (Fereday and Muir-Cochrane, 2006). Themes derived directly from participants' accounts, were regarded as first-order themes. As the analysis progressed the volume of data was reduced into manageable categories, and emerging themes and concepts organised into second-order themes. Once codes were finalised, the final clustered themes emerged: *causation*, *serendipity*, and *effectuation*. These became the aggregate theoretical dimensions explored in the following section.

## **4 Findings and Discussion**

Current research suggests that opportunity recognition, creation or discovery is not simply the result of heuristics but is, in fact, reflective of an individual's cognition. By engaging with the context that surrounds the individual, the firm and the process – in this case, Glasgow's independent music industry – it should be possible to improve our understanding of where and how entrepreneurs in this sector locate their opportunities.

### *4.2 The Use of Causal Logic*

Of the entrepreneurs in the study, sixteen said that they had only ever wanted a career in music. Some started by going to gigs and cultivating a circle of relationships in the hope that these would facilitate their introduction into the industry, while others found their freelance paths. One participant (S.B.), described his career as a planned progression from band to college to business. Another (A.G.), initially employed in Scotland's only digital distributor, quickly realised there was an opportunity for distributors willing to work directly with bands. A.G. and his partner set up their own business next door to his former employer and, almost twelve years later, his company remains the only independent digital distributor in Glasgow. Yet even those who planned their route using knowledge of the industry gleaned through work experience or

prior education, most of their stories did suggest that causal logic alone may be insufficient in explaining the path taken by some entrepreneurs.

#### 4.3 *The Importance of Serendipity*

Entrepreneurship literature cites many stories of entrepreneurs searching for one thing and finding another, and the most striking example of a serendipitous event given in the data collection for this study was described by E.P., owner of Scotland's only independent record label. After completing a physics degree, E.P. decided to pursue a career in sound engineering. However, on a trip to find work, she got off at the wrong stop and ended up at GR Management, which was owned by the former manager of the band Texas. For E.P. her entry into the profession was; *"...all down to choosing the wrong door to knock on!"* (E.P)

The interviews yielded many examples of chance encounters which led to significant consequences, including the discovery of Paolo Nutini, with B.M. being in the right place at the right time:

*"I was running the campaign for Fame Academy... David Sneddon... was late, so... we just got kids out of the audience to sing..., Paolo stuck up his hand... gave him the microphone and he was amazing, amazing."* (B.M.)

Another respondent recalls his involvement on the night Oasis were discovered:

*"You've got to come up and look at this band, the singer's got something, he's a ballsy pain in the arse but he's got something", and McGee came up to see this wee band called Oasis."* (T.C.)

This kind of serendipity occurs continually within the music industry, especially in Glasgow and chance encounters have played a central role in the entrepreneurial process for all the interviewees, each displaying a mix of action, recognition and insight in the course of their serendipitous discovery (Martello, 1994).

#### 4.4 *The Use of Effectual Logic*

As the findings suggest, most respondents were motivated by a love of music, while a few sought only to make a reasonable living. Indeed, D.G. commented that it wasn't until he'd received a substantial fee for playing a gig that he realised the band's money-making potential. Yet what is clear is that all the participants began the entrepreneurial process by looking at who they were, what they knew and whom they knew

#### *4.4.1 Who Am I?*

Respondent L.Q. recalls the departure from her label, which was prompted because she was dissatisfied with the way her career was progressing. Another example is the refusal of A.L. and her band, to participate in an advertising campaign for Motorola due to moral values, yet later accepted a bid from Timberland after the realisation that to survive you must compromise. *"If you want to actually keep going as a band you have to take any income you can get."* (A.L.). This problem is often exacerbated by the lack of defined career paths in the music industry, and because many musicians are unable to support themselves from their performance activities alone, requiring them to build a portfolio career.

#### *4.4.4 What Do I Know?*

The findings also show how the music-entrepreneurs continually promote themselves in the face of increasing turbulence in the wider environment. They look for new ways to adapt to survive, especially when their future depends on the wider sector's response to the rapid pace of technological change. They must continually self-manage and self-market. For example D.G. and his band have expanded their range of marketing channels to include an iPhone App, the first among the respondents to make this move. Rather than waiting until they were forced to react to change, they anticipated it.

#### *4.4.3 Who I Know?*

Throughout the above discussions, each one of the respondents described building up their own network of stakeholders, the most common form of network being that based on friendship. A.L. described *"borrowing people from here and there"*. Other stories illustrated how networks can offer a path to a relatively stable income in an uncertain industry. For example J.W., still works as a promoter and booker, this presumably not only ensures that his bands get first pick

of the rota, but his position and work also give him opportunities to network with other bands, labels and brands.

#### 4.5 *The Interplay Between Causation, Serendipity and Effectuation*

While the literature suggests that entrepreneurial opportunities are more likely to be the result of a systematic search than a fortuitous discovery, the findings of this study suggest that the combination of “accident and sagacity” is particularly important to entrepreneurs in the music sector and is therefore directly relevant to the study of opportunity recognition (see Table 2).

INSERT TABLE TWO ABOUT HERE

This study supports the argument that serendipity lies between the planned and unplanned approach, or between causation and effectuation, and due to its unique positioning acts as the bridge between the two theoretical viewpoints. Therefore while Dew’s (2009) interaction of (i) prior knowledge (sagacity), (ii) events (contingencies/serendipity), and (iii) activity (the individual is already on a journey) is apparent, for the music-entrepreneurs studied above (Table 2), the activity is already underway when the contingency occurs and the insight occurs when sagacity or prior knowledge kicks in to help the entrepreneur to exploit it.

Causation, then, inspires the initial search, and then the recognition of new information by various means (chance encounter or otherwise) inspires the fit between the individual and an idea, while effectuation logic inspires the entrepreneur to work within their given set of means. For example, B.M. was in the right place at the right time. Because of his experience of working with artists, labels and promotion companies, he was able to exploit the opportunity which Paolo presented and to turn him into an international brand. These accounts provide us with “a coherent rationale that unifies these otherwise conflicting perspectives”, and shows how these three perspectives – causal logic, effectual logic and serendipity – are all evident in the entrepreneurial process pursued by the music entrepreneurs

## **5. Conclusions and Recommendations**

The present study makes a valuable contribution to entrepreneurship research by adding to our overall understanding of the interaction between what entrepreneurs do and who entrepreneurs

are. The entrepreneurial process is not linear, and whether or not the entrepreneur decides to pursue an idea through either search or chance encounter depends on a variety of factors. As the findings suggest, musicians building their skills deploy causal logic. Once the opportunity has been discovered or created, and the idea developed, effectual logic guides the process; the entrepreneur works within their given means set. The findings in this paper provide empirical evidence to support this assertion, as well as confirming that while entrepreneurs may start out with a plan of action, they may be just as likely to end up in other areas through a ‘trigger’ (Bygrave, 1989) such as; luck, accident or a chance encounter.

The rising profile of the UK’s creative industries and creative entrepreneurs requires that researchers understand the structure and composition of these industries as well as the activities of those who work within them. Future research must build on the common threads that exist within current models and develop these so that future theorists can fully grasp what the process is and how it occurs (Moroz & Hindle, 2012). While this study does not claim to represent the entire population of the music industry in Glasgow, it does offer a contextually rich study of who these entrepreneurs are, why they become entrepreneurs, what opportunities they identify, how they exploit these opportunities, and where and when their entrepreneurship happens.

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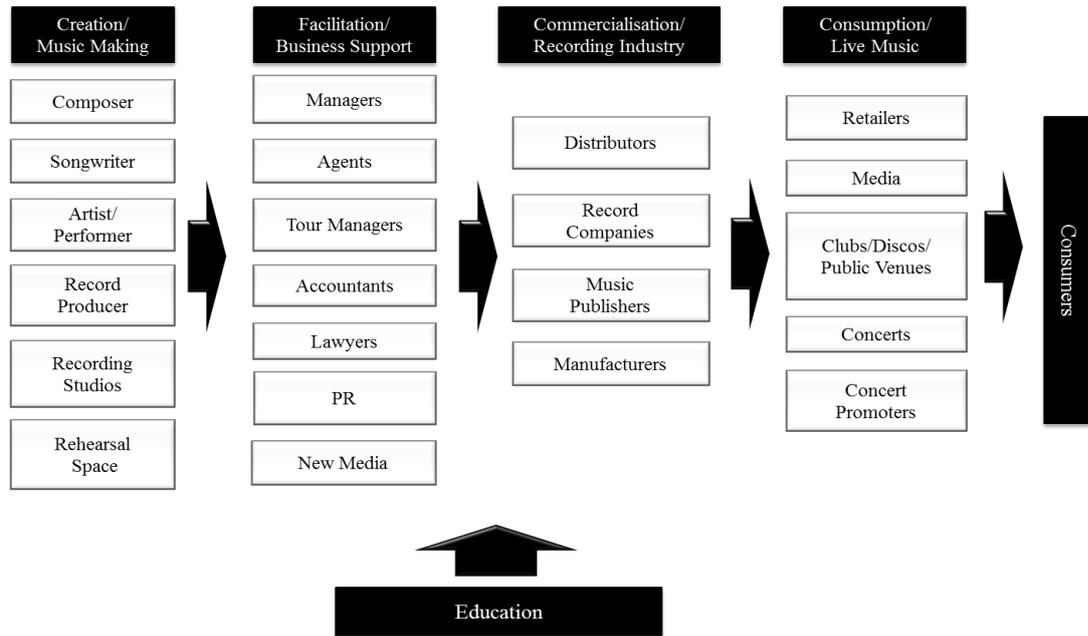
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**Figure 1: Example of the Scottish Music Industry Supply Chain**



*Source: EKOS, 2005. Scottish Music Industry Feasibility Study. Edinburgh: Scottish Arts Council, p. 9.*

**Table 1: Sample of Music-Entrepreneurs**

	<u>Industry Role</u>	<u>Sample Type</u>	<u>Interviews Undertaken</u>	<u>Other Docs Reviewed</u>
1. A.S. Production Company	Producer, songwriter, recording artist.	Purposive	2 face-to-face interviews in Blue Productions Studio, Approx. 2 Hours each.	Online social networking
2. E.P. Label Owner	Solo artist, guitarist, producer, label and studio owner.	Snowball	Telephone interview. Approx. 2 Hours.	Online social networking News articles
3. P.T. Band Member	Band member, label owner, guitar instructor, radio DJ.	Snowball	Face-to-face interview in Blue Productions studio, Approx. 1 Hour, 15 Mins.	Online social networking
4. A.G. Digital Distribution	Digital distribution for independent artists, band manager.	Snowball	Face-to-face interview in Argyle Court Café. Approx. 1 Hour, 20 Mins.	Online social networking
5. K.M. Artist Manager	Artist manager, events management, brand marketing.	Snowball	Face-to-face interview at Springfield Quay. Approx. 2 Hours, 20 Mins.	Online social networking News articles
6. J.W. Booking Agent	Artist manager, Booking Agent Oran Mor.	Purposive Gatekeeper	Face-to-face interview in Oran Mor. Approx. 50 Mins.	Online social networking
7. J.G. Band Manager	Artist manager., BASCA, SMC	Snowball	Face-to-face interview in SMC office. Approx. 1 Hour, 20 Mins.	Online social networking News articles
8. J.W. Band Manager	Artist manager, professor at University of Glasgow.	Snowball	Face-to-face interview in Café Gandolfi. Approx. 1 Hour, 50 Mins.	Online social networking News articles Government reports
9. J.D. Solo Artist	Solo artist, Gaelic TV and radio, teacher, journalist, choir conductor., dancer	Snowball	Face-to-face interview at Glasgow Venue Oran Mor. Approx. 2 Hours.	Online social networking
10. L.Q. Band Member	Solo artist, band member, actress.	Snowball	Telephone interview. Approx. 2 Hours.	Online social networking News articles
11. S.B. Band/Manager	Musician, band member, artist manager, label owner,	Snowball	Face-to-face interview. Approx. 40 Mins. Café Mono.	Online social networking News articles
12. B.M. Artist Manager	Band manager.	Purposive Gatekeeper	Telephone interview. Approx. 1 Hour, 30 Mins.	Online social networking News article
13. B.H. Music Design	Music designer, DJ, label owner.	Snowball	Face-to-face interview in Argyle Court Café. Approx. 1 Hour, 20 Mins.	Online social networking PSYBT profile
14. D.G. Band/Manager	Accordion player, band member, label owner, festival organiser.	Snowball	Face-to-face interview in Argyle Court Café. Approx. 1 Hour, 20 Mins.	Online social networking PSYBT profile
15. A.L. Band Member	Musician, band member	Purposive Gatekeeper	2 telephone interviews. Approx. 1 Hour, 20 Mins each.	Online social networking
16. T.C. DJ	Musician, DJ, Music Officer	Purposive Gatekeeper	Face-to-face interview in the Art Gallery Café. Approx. 1 Hour, 50 Mins	Online social networking
17. R.G Music Journalist	Fanzine journalist, artist management.	Over 35 Years.	Telephone interview. Approx. 2 Hours and 30 Mins.	Online social networking
18. O.F. Event Organiser	Industry networking event organiser.	Over 20 Years.	Face-to-face interview in the CCA Café. Approx. 2 Hours.	Online social networking
19. A.M. Radio Presenter	BBC Radio, Former BBC Radio 1 Introducing Scotland presenter.	Over 5 Years.	Telephone interview. Approx. 50 Mins.	Online social networking
20. D.M. Label Owner	Label owner, lecturer at Stow College.	Over 20 Years.	Email interview.	Online social networking
21. R.M. Events Organiser	Event organiser and promoter, Clyde One Radio DJ.	Over 20 Years.	Telephone interview.	Online social networking

**Table 2: The Process of Opportunity Recognition, Discovery or Creation**

The Process of Music Entrepreneurship									
	The Dimensions of Causal Logic			The Dimensions of Serendipity			The Dimensions of Effectual Logic		
	Opportunity Recognition	Market Activities	Resource Acquisition	Right Place Right Time	Chance Encounters	New Information	Who am I?	What do I Know?	Who do I Know?
1. Alan Scobie Blue Productions		✓	✓	✓	✓			✓	✓
2. Emma Pollock Chemikal Underground		✓	✓		✓			✓	✓
3. Paul Tasker Doghouse Roses	✓							✓	
4. Ally Gray Emubands	✓	✓	✓			✓	✓	✓	✓
5. Keren McKean Greenflame Consultancy	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Jamie Webster Instinctive Raccoon	✓		✓	✓	✓	✓		✓	✓
7. Jamie Gilmour (WWPJP Manager)		✓	✓		✓	✓		✓	✓
8. John Williamson Banchary Music	✓	✓	✓		✓	✓	✓	✓	✓
9. Joy Dunlop (Solo Artist)			✓		✓		✓	✓	
10. Louise Quinn A Band Called Quinn	✓	✓	✓	✓	✓	✓	✓	✓	✓
11. Stuart Braithwaite Mogwai	✓	✓	✓	✓	✓	✓		✓	✓
12. Brendan Moon Morsecode Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
13. Brian Harvey Open Ear Music	✓	✓	✓	✓		✓	✓	✓	✓
14. Daniel Gillespie Skerryvore	✓	✓	✓	✓	✓	✓	✓	✓	✓
15. Ailidh Lennon Sons & Daughters		✓	✓		✓	✓	✓	✓	✓
16. T.C. DJ	✓		✓	✓			✓	✓	✓
17. R.G Music Journalist	✓		✓	✓	✓				✓
18. O.F. Event Organiser			✓			✓		✓	✓
19. A.M. Radio Presenter	✓			✓	✓		✓	✓	✓
20. D.M. Label Owner	✓	✓	✓	✓			✓	✓	✓
21. R.M. Events Organiser	✓	✓	✓	✓	✓		✓	✓	✓