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# 1 Introduction

In a world of globalization and international trade, there were nearly 20.9 million businesses operating in the non-financial business economy in the European Union (EU) in 2008. The overwhelming majority of these companies were SMEs (99.8%) and employed fewer than 250 people (Schmiemann, 2008). The average of the employment rate was 4.3 people per company in 2008. From one member state to another the figure varies considerably within a ranging from 12 people per SME in Slovakia less than 3 in the Czech Republic or Greece, to values above 7 in Estonia, Ireland Latvia and Germany.

The business environment in which enterprises operate plays a significant role in their potential success through factors such as access to capital markets (in particular for venture capital), or the openness of markets. The climate in which entrepreneurs and businesses can flourish is considered by many as the key to generating growth and jobs; this is all the more important in a globalised economy, where some businesses have considerable leeway to select where they wish to operate.

Nevertheless the main challenges faced by SMEs in Europe include lack of skilled labour, difficulties in accessing finance and issues related to new technologies, organization or regulations. A survey conducted by the Observatory of European SMEs reports that the SMEs growth may be hampered by the lack of entrepreneurship of the Europeans who are reluctant to take risks. A relatively low part of the population of the EU (45%) is tempted by the challenge of launching or managing SMEs against 61% in the U.S.

The understanding we have about entrepreneurship owes much to the economist Schumpeter and the Austrian school. For Schumpeter (1950) an entrepreneur is a person who wants and is able to transform an idea or invention into a successful innovation. Entrepreneurship leads to “creative destruction” in the market and sectors of the economy because of the new products and business models come and replace old ones. Thus, creative destruction is the cause of industrial dynamism and growth in the long term.

For Knight (1967) and Drucker (1970) entrepreneurship is to take risks. The entrepreneur is a person who is willing to stake his career and financial security to implement an idea, to put his time and capital in a risky business. Another definition of the entrepreneurship describes the process of discovery, evaluation and exploitation of opportunities. Moreover an entre-

preneur can be defined as someone who is not on the resources it currently controls, but tirelessly pursues an opportunity (Timmons, 2008).

Paturel (2007) proposes a syncretic definition of entrepreneurship, it is an idea from the exploitation of an opportunity within an organization driven, created from scratch or recovery at first, then later developed by a single individual or a team undergoing a major change in his life, a process that leads to the creation of a new value or economic value of existing waste. In this perspective, entrepreneurship is inextricably linked to the project approach.

Many studies have already explained the business creation process but there is still much unknown in this field.

The business creation process consists of the need to create new businesses, the stages in the process, predictable problem and challenges, the strengths and weakness of alternative approaches such as internal venture divisions and corporate venture capitals funds (Garvin, 2002). This definition encompasses a person who starts a new venture, everyone who perceives an opportunity and creates an organization to pursue it. The business creation process involves all the functions, activities and actions to accompany the opportunity until its realization. This new venture creation can be in some rare cases revolutionary and open new sort of global economic gates as Apple (revolution of the computing industry), Carrefour (new strategy based on the hypermarket, supermarket, proximity shop, cash and carry), Amazon.com or also Ebay (shopping on internet). But the creations are most likely the incremental sort which penetrate an already existing market.

However one issue persists, is the venture creation and its success or failure depending on the fortunes of life? Some will say that it depends on which model this new venture creation is based on and others will argue that it depends on the experience of the entrepreneur him/herself. At this point the theory and the practice are face to face and two schools of thought are opposed. Bower is for a practical return and Grant sees continued potential in economic theory. Jarzabkowski and Whittington advocate a third thought about the relation between theory and practice and propose a strategy-as-practice based approach.

Our study will describe the diverse steps of a business creation in theory and in practice in the precise case of a wine merchant company in France.

## **1.1 Problem statement**

Wine Essence is a French wine merchant start-up, based in Bordeaux established in January 2012 on the French market and on the global wine market, created by one of the authors. Thanks to this creation and through the research of academic literature, the authors can explain their own point of view about how entrepreneurship is presented in theory and compare it with their own experience.

The authors will face the reality and the theory to intertwine the process, the problems, the solutions and the results which actually work in this precise case. “We can see the results of entrepreneurial activity in the form of new business and innovations, but we have limited information on how these new businesses actually came into existence” (Gartner, Shaver, Carter, Reynolds, 2004). This is why we hope that our analysis will bring a new view about the business creation and its universe to the literature in order to deeply understand the complexity of the reality in front of the perfection and the fiction of the theory.

## **1.2 Purpose**

We want to understand why the literature's actors disagree about the theory and the practice concerning the business creation. We aim explain what would be really useful for the future entrepreneurs in order to be well prepared to cope with the irregularity of the practice. “The assumption is that practice-based teaching is devoid of theory, although theoretically derived teaching is abstracted and irrelevant to practice” (Grant, 2008). But Bower (2008) defends another point of view “this move away from the practitioner as a sentient being, comprising values and judgments beyond that of rational profit-maximizing agent, has led to economic theory-laden strategy teaching that is less and less based in practice”. We realized that there is a need of analysis between theory and practice which are not yet researched in the context of business creation. The absence of research and thus knowledge in this area forms a restriction to a better understanding the theory which contains practice.

The purpose of this research is to explore the relation between theory and practice concerning business creation. Do the experience and the background of the entrepreneurs help the business creation process? Does the entrepreneur's knowledge of an industry has an impact

on the business creation process? Do the experience and the background of the entrepreneurs help the business creation process? Does the entrepreneur's knowledge of an industry has an impact on the business creation process?

These are the questions we want to answer thanks to our analysis in order to bring some new information about business creation. We will concentrate our study on a specific context and activity area which is a wine merchant business creation to understand how entrepreneurs take on the risk nowadays on this specific market. Furthermore, we aim to provide an understanding on this topic.

### **1.3 The frame of references**

Due to the missing research on the matter of the role of practice in the theory, we first researched the different aspects covering this exploratory research. We first give an overview of the theory of most important steps of business creation and show you how the practice is related in these theory, then we explain it in the precise case which is Wine Essence case study.

To complete this challenge we will experience the reality of an entrepreneur, who “take on the risk” and use the Wine Essence’s business creation as an example. The aim is to compare its evolution with the main entrepreneurial literature which treats this subject and then to explain the relation between the theory and the practice. We will not make any exception from this case, because it would not be representative of the reality and could not be applied to any other company because of the corporate differences. We want to understand how far the theory accompanies the future entrepreneurs in the business creation process. In the literature, we can see that there are different beliefs concerning the theory and the practice about business creation, “such research complements the parsimony and the generalizability of economic-driven theory, extending strategy research to incorporate the messy realities of doing strategy in practice”(Jarzabkowski & Whittington, 2008). But we can notice thanks to this quote that the link between theory and practice is not really clear and that the literature's actors have still divided opinions on this subject. Bower and Grant recognize deep-seated problems in the relationship between strategy academia and managerial practice, but they have proposed a very different ways forward research and teaching.

We will first describe the French wine market to present the industry which is one of the most important for exportation. Then more specifically the Bordeaux wine market to be able to understand the case of Wine Essence, the core business and the business creation process. We will explain how and in which conditions the entrepreneurs have created the company, and we will determine the paths they have chosen to succeed in their own industry. This will be a descriptive purpose which will give us the opportunity to better understand how entrepreneurs consider a business creation process in the specific case of Wine Essence.

We will conclude our analysis with the hypothesis that the literature speaks about business creation as a whole and with this study we want to bring a new vision of the business creation process and fill the gap in the literature if there exists. In our opinion, each business creation is a really different process due to the framework the company brings in the project and that the impacts also diverse. "A business creation has a significant impact on economic growth, innovation and job creation" (Reynolds, Camp, Bygrave, Autio & Hay, 2001).

Finally, we will analyze the interviews of the Wine Essence entrepreneurs about their own experience and make a link between their own acquaintance and what they have used to succeed in their business creation process.

## **1.4 Method**

This part of the paper provides the research method which has been applied in the thesis and explains why we have chosen these specific research approaches. "Entrepreneurship as a practice is ontologically/epistemologically qualified by presenting phronesis as the relevant guiding intellectual virtue in the knowledge-creating process"(Johannisson, 2009). The previous quote underlines why we are going to analyze the different aspects of Wine Essence, we think we can develop a practical knowledge about business creation process.

"This strategy-as-practice approach thus aspires both to maintain the affiliation to academic theory championed by Grant and to get that closeness to managerial practice for which Bower hankers" (Jarzabkowski & Whittington, 2008). According to the definition of Jarzabkowski and Whittington about the theories of Grant and Bower we can understand that the research is not completed between practice and theory. This is why we want to highlight the gaps which can be present between practice and theory in business creation process.

### **Descriptive research**

The descriptive method of research is used for our analysis, particularly in the case study of Wine Essence. Creswell (1994) defined the descriptive method of research as gathering information about the present existing condition. The goal of descriptive analysis is to verify formulated hypotheses which refer to a present situation with the intention to confirm them. This method allows a flexible approach which matches perfectly with the analysis of a business creation process.

On the other hand the descriptive analysis is a type of research which is strongly focused on describing the current situation and presents it as it exists at the time of the re-search. It determines the causes of a specific phenomenon. This method is used to obtain first hand data to express rational and relevant conclusion to the analysis.

### **Qualitative Research**

The character of the research for this thesis was exploratory. An exploratory study can help to find new insights and approaches to a certain subject, or even address a whole new phenomenon, which can be elaborated upon with future research (Saunders, Lewis & Thornhill, 2007).

For our research, we had to interview persons in a very specific area which is Wine Essence company. In a way, they were the ‘experts’ in the subject we were researching.

Furthermore, we needed to interview the owners of Wine Essence and it helped us to go deeper into a subject.

The aim of the research was to explore how the business creation looks like in practice and what interests had Wine Essence owners to start a company and if they find literature theories useful in a real life. Three interviews were taken with Wine Essence managers who, at the same time, own the business. Although the very detailed interviews helped us to shape an idea and this gave an input for our and further research.

### **Abductive research**

For the research we used the abductive research method. This approach allows to go back and follow the literature already collected and new literature if needed. This kind of work gives the opportunity to go back to the literature already used, for comparison, for example



(Blaikie, 2010). Also, it gives the opportunity of collecting new data to compare the findings of the interviews with. This approach provides a solid structure because it gives the possibility to use already mentioned literature and also new literature when an explanation might be found else-where. This approach can enhance the findings from the interviews and thanks to that better conclusions can be drawn.

### **Semi-structured interviewing**

A semi-structured style was chosen for presentation of the interviews. This style includes a list of topics and questions that will be discussed during an interview. This method depends on how the conversation goes and what the interviewee needs to talk about to get to a certain point.

By analysing Wine Essence business creation process, we want to see if the literature and the text book approach of entrepreneurship are well adapted to prepare the future entrepreneurs to this activity. We want to understand and show that a business creation process is something particular to a group of people and an industry, and underline the gaps it can have between the practice and the theory.

These mentioned methods will give us the opportunity to study all the important areas of business creation and entrepreneurship, and will create the framework to bring new result on this specific case.

## **1.5 Collection of data**

### **Primary data**

As previously said we conducted an exploratory study, because we found it more important to provide a solid basis of literature review to explore the issue further then to provide right away a representative study of Wine Essence company.

### **Interview analysis**

We solved this issue by having a semi structured interview, as mentioned before. We asked questions we had prepared before the interview, and interviewee was giving us a certain answers.

We analyzed each interview right after they were taken. After we looked at the similarities and differences between the answers and we tried to come up with connections and findings

by looking at the previously used theory and new applied theories. Also during the interviews, we proposed the theory to the owners and checked if they found it applicable in their case. Then we asked at the end of the interview about what they miss or what they would adjust about the theory.

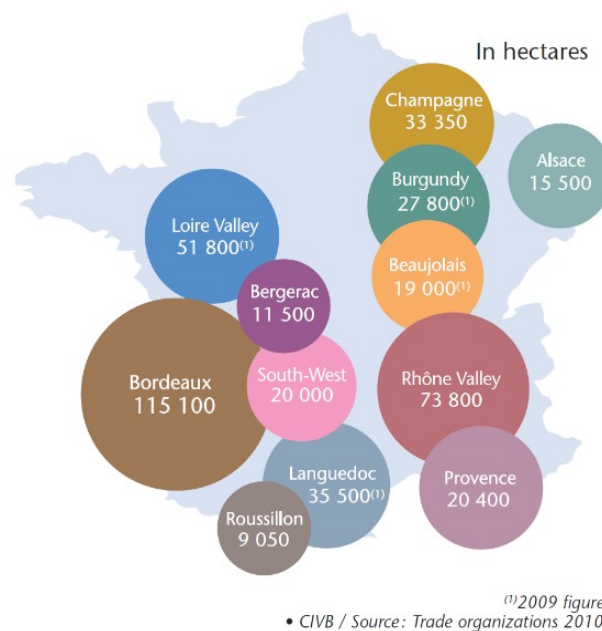
### **Secondary data**

The secondary data are data that already had been collected and filtered previously. It is already existing material that can be found in journals or the internet for example (Sekaran & Bougie, 2009). Secondary data can be helpful to collect useful information for the research area one is focusing on. One of the advantages is that it can save time due to its direct availability and its easy way of access. The secondary data that was used consisted out of journal articles, books, websites and dissertations. We searched for literature that had affiliation with the area we were researching such as business creation in theory and practise and entrepreneurship. The secondary together with the primary data helped to shape the model we propose.

## 2 Wine Essence Case study

### 2.1 The French wine Market

French wine finds its history around 6<sup>th</sup> century before Christ, with a wine making from the Roman time. Nowadays, France is the world's largest wine producer with 60 million hectolitres per year or 8 million bottles. France has the second world-largest total vineyard area behind Spain and produces the range from very expensive wines to everyday wines or more modest, sold through the world. We can see on the following map of France the biggest producing area in hectares.



**Figure 1:** The biggest wine producing areas in France, Trade Organization, 2010.

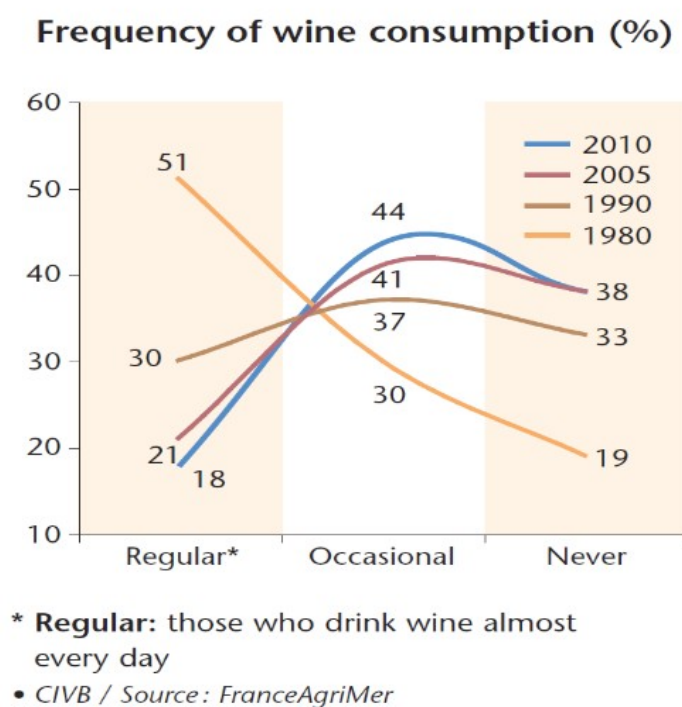
There are two specific areas that are very important for the French people; the first is the “terroir” which links the type of the wines with the locations where the grapes are grown and where the wine is vinified. The second notion is the “Appellation d’Origine Contrôlée (AOC)” system. The AOC system is a classification system which clearly define which grapes and winemaking techniques are approved in each geographically determined appellation, which can be entire regions as Champagne and Cognac, individual villages as in Burgundy or even specific vineyards as in Rhône Valley and Chateaufort du Pâpe appellation

with its thirteen kinds of grapes. There are 361 different appellations in France, according to the INAO, the National Institute on Origin and Quality.

The wine sector in France represents 110.000 vineyards and employs 180.000 people and more than 50.000 people downstream the sector (commercialization, packaging, research, etc). According to Presse-vin, the French wine sector in 2007 was the second exportation industry in the country with 9.64 billion euros, representative of an increase of 6.9% in the area on the previous year.

France possesses many different grape varieties such as Cabernet Sauvignon for the Bordeaux wines and Pinot Noir for the Burgundy. The grapes varieties can now be found in the world, and France is facing competitors through the world: Australia, South Africa, USA and New World wines (Brazil, Chile, Argentina, etc).

The French wine range is very wide from the simple wines (red, rosé, sweet and dry white) to its famous spirits such as Cognac or Armagnac, passing by the world-known sparkling wine Champagne.



**Figure 2:** France wine consumption, FranceAgriMer, 2010

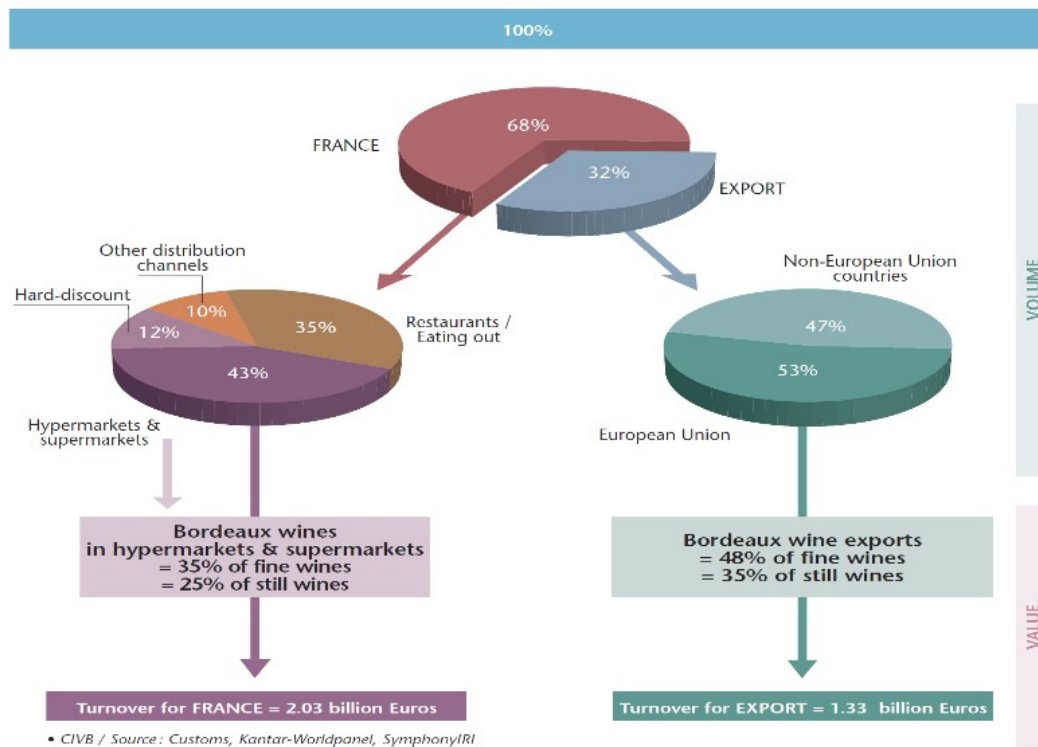
The figure 2 shows us the downward trend for wine consumption in France which is having a lesser impact on sales of AOC wines, and since the beginning of the 2000s, has represented more than half of all sold bottles. Concurrently, the percentage of occasional consumers among adults is increasing, rising from 30% in 1980 to 44% in 2010, to the detriment of the number of regular consumers.

The French wine consumption is likely to savour a bottle on food or for the aperitif but more prone to drink simply for pleasure. The French like to complete the savour of the meal with adding the good bottle of wine which will free its aroma on food.

In the last thirty years, the French consumption has been influenced by a slight decline in the domestic market. This can be explained by the French regulation on the consumption and the multiplication of the police control on the French roads concerning the alcohol. The wine national production is more important than the wine national consumption, so France has to export the excess of wine through different market in Europe such as Germany and Great Britain or outside Europe such as China or USA.

## **2.2 Bordeaux wine market**

Bordeaux is a French city located in the South-West of the country, there are almost 800.000 inhabitants, is the fifth largest city in France and is considered as the world wine capital. There are 12.000 Châteaux in Bordeaux and 60 different appellations for a total of 115.100 hectares in the city. In 2010, there were more than 3.36 billion Euros, and 5.06 million hectolitres, of which 68% were sold in France.



**Figure 3:** Bordeaux wines market, French customs 2010.

As we can see thanks to the figure 3, the Bordeaux wines are sold at 2/3 in France and 1/3 is exported. More than 50% of the exported wine stays in the European Union and the rest goes through the world, China, Japan and Canada are the top three destinations for the Bordeaux wines.

The particularity of Bordeaux is its wines classification made under Napoleon III in 1855 which is still currently applied and respected. This classification has been made to identify the best Châteaux in Bordeaux. There are eight "Premiers Grands Crus Classés" (First Growths) in the 60 appellations. We are going to list them and maybe some names will sound familiar to you:

There are three in Pauillac appellation, Château Mouton Rothschild, Château Lafite Rothschild, and Château La Tour. There are two in Saint-Emilion appellation, Château Cheval Blanc, and Château Ausone. There is one in Margaux appellation and the Château as the same name than the appellation, Château Margaux. There is one in the centre of Bordeaux, in Pessac-Léognan appellation, Château Haut-Brion. And there is the Château d'Yquem, in Sauternes appellation which is the only wine of the listed which is not red; this is a sweet white wine.

All these Châteaux are the flagship of the Bordeaux wine production and are sold all around the world between 300€ and more than 2.000€ the bottle in accordance with the vintage. Then, there are the “Deuxième Grands Crus Classés” (Second Growths) and it can go till the fifth growths for the biggest appellations. This classification depends of the AOC system that we have seen previously, and it had never changed since 1855. That is why some Bordeaux winemakers want to re-do the classification saying and claiming that what was true in a time, it is not sure to be in another.

Bordeaux has one more specificity concerning its language; in the city we speak about Château rather than vineyard, because in Bordeaux (one of the only area in France with this particularity) there is a Château (a ‘castle’ in English) on every vineyard. The Château is the house of the owners and it can have different sizes and aspects. For the most famous Châteaux, the building contains towers and garden and a view on the vineyard. And Bordeaux is known for its “route des Châteaux” (Castles road) which afford very good wines and wonderful architecture at the same time.

Concerning the market, the wine is sold directly by the Châteaux to different actors of the industry.

First, the Châteaux can sell the wine directly to the private customers, and in this case we can speak about direct sales, from the winemaker to the end user without any intermediary or B2C sales. These sales are the most interesting for the Châteaux because the margins are higher than with the wine merchants or specialized shops who order a huge amount of bottles so the price decrease and also the margin of the Châteaux.

Second, the Châteaux can sell the wine to the wine merchants who are going to export the product abroad in specific areas thanks to exclusivity agreement, or sell it in France to different distribution channels always in accordance with the wishes of the Châteaux. The wine merchants can sell the wine to end users, or to specialized shops or to supermarket chains.

Third, the Châteaux can directly sell the wine to specialized shops, supermarket chains or retailers. But most of the times the Châteaux do not like to sell the wine to supermarket chain as Carrefour because the French do not associate the supermarket with good wine. The consumers prefer to go to a specialized shop where they can have advices and assistances rather than just pick up a bottle on the line without knowing anything about it.

Therefore, in this case study, we are interested in the wine merchants to better understand the role they are playing in the wine industry in Bordeaux. There are more than a hundred wine merchant companies in Bordeaux, specialized in the wine sales. It can be on internet, in B2C, or in B2B, or all of them. You can think that more than a hundred companies in the same city it is a lot, and it is, but in Bordeaux there are 12.000 Châteaux, and most of these Châteaux produce more than one kind of wine so the figure for the number of different wine you can find on the Bordeaux market is impressive. Previously, we spoke about 5.06 million hectolitres produced just in Bordeaux, so the competition is present on the market with very old wine merchant companies such as Baron Phillippe de Rothschild, Durthe & Kressman, or Mouaix S.A, Castel, Les Caves de Landiras. These companies export hundred thousand of bottles abroad, in the country listed in the table below.

Trend for exports to the main destinations

	Volumes in thousands of hectolitres				Value in millions of Euros		% BDX in imports of still wines. Volume
	Average 01-05	Average 06-10	2010	1-year trend (%)	2010	1-year trend (%)	
Germany	378	292	264	+5	111	-7	2.0%
China	6	100	229	+67	164	+121	8.1%
Belgium	355	273	222	-5	118	-4	8.5%
United Kingdom	299	241	208	+5	227	-3	1.6%
Japan	137	134	141	+22	95	+4	8.3%
United States	141	143	123	+6	99	-28	1.4%
Hong Kong	15	39	71	+68	251	+130	18.5%
Canada	75	71	66	-4	47	-10	1.9%
Netherlands	144	82	65	+11	41	+10	2.0%
Switzerland	88	69	62	+5	93	-4	3.5%
The 10 main dest.	1 746	1 465	1 449	+13	1 247	+16	2.8%
<b>World</b>	<b>1979</b>	<b>1772</b>	<b>1768</b>	<b>+14</b>	<b>1514</b>	<b>+17</b>	<b>2.2%</b>

• CIVB / Source: Customs / GTI

**Table 1:** Main destination of Bordeaux wine exportation, French customs, 2010

Thanks to the table 1, we can realized the amount of Bordeaux wine exported is extremely large, if we additionate the top five main destinations together, the amount is 1064 thousand of hectoliters in 2010. Most of the exportations are made by the wine merchants rather than



by the Châteaux, because the Châteaux do not have the time to take care about the vineyard and the sales at the same time. This is why the role of the wine merchants in Bordeaux industry and even in France is paramount; otherwise the national offer would be more important than the national demand. This is why, the main mission of the wine merchant is to export the wine in the different countries as shown in the figure 4.

Germany was the main destination with 264 thousand hectoliters in 2010, but was also the main destination for the last ten years. We can notice that China which was second in 2010 with 229 thousand of hectoliters and was an almost nonexistent market in the last 10 years compare to Belgium or United Kingdom. We can also notice that Japan took the lead on the USA in 2010 with 141 thousand of hectoliters for the Nippon against 123 for the American. We can also underline that the Japan and Hong Kong were in the top seven main destinations for exportation even if their geographical size is much smaller than the USA, Germany or even the Canada which was on the eighth position in 2010. We can understand that these markets such as Hong Kong and Japan or Germany are very important for the industry because they represent the biggest part of the sales, so we can imagine that the competition between the wine merchants is very important.

As we have seen previously production of Bordeaux wine is impressive, 5.06 million hectoliters in 2010 and around a hundred wine merchant companies to export the excess of wine production that the national market cannot absorb. The competitive rivalry in the wine market is not the same as any other market. In a traditional market, as the automotive for instance, there is a lot of demand and offer, the new line of products and its innovations appear more or less every 2 years. The competitive environment is aggressive and the brands have to react quickly to be able to keep the market share.

Conversely in the wine industry, there is a lot of demand but a limited offer which depends on the weather (cold winter and rainy summer decrease the production), the French legislation define for every AOC its own rate of production per hectoliters/hectare that the wine-makers cannot exceed. The legislation ban the promotion of the wine, there is no advertisement allowed about one Château but just for an AOC (which is supposed to represent all the winemakers). The competitive environment is aggressive for the producers but the classification of 1855 defines the price and the demand.

To be more specific about the Bordeaux wine market and the wine market in general in France, we have to speak about the notoriety of the Châteaux. Let's take one of the eight First Growth Châteaux in Bordeaux as an example and then we will compare it with another Château which is not in the classification of 1855. The Château Cheval Blanc, First Growth of the appellation Saint Emilion makes around 70,000 bottles per year, people can think that it is a lot but you have to realize that thanks to its notoriety the Château Cheval Blanc is world-known and that some customers want a box of wine in China, in the US or in Germany. Hence we can think that this Château do not need any wine merchant companies to sell its wine and that the vineyard is able to do it by itself. But the Château prefer to give allocation (the number of boxes they can have and where to sell them) to the wine merchants companies in order to control the area, the Château want to sell its products. With the First Growth Châteaux the role of the wine merchants is really limited but concerns most of their demands because their customers want to have these particular Châteaux. Most of the wine merchants in Bordeaux work with the First and Second Growth wines and have allocations from the Châteaux. They know how many boxes they have to sell, they know the price of their product they want to sell and they know the location where they are allowed to sell it. So the role of the wine merchants in this particular case is more as agents who make people in relation.

Now with a Château which is not under the classification of 1855, it makes between 70,000 and 100,000 bottles in average (depending on the number of hectares the Château possesses). This Château is not world-known and have to sell its wine by itself. So most of time if the Château is profitable enough it can hire a salesman to take charge of all the sales national and international, otherwise works with the wine merchants and sell them either barrels or already bottled wine. In this case the role of the wine merchants is completely different than with a First or Second Growth, they do not have any allocation. The wine merchants can sell the wine as they want and even ask the Château for the exclusivity for a specific market as China or Germany. In this case the wine merchants are more in charge of the sales for the Château and can really manage the sales as they wish with less barriers than with the classified wines.

So we can understand that there are two ways to make business in Bordeaux for the wine merchants. The first is to be positioned as an classified wines agent and the second one is to work with the unclassified Châteaux which allows more liberty to the wine merchants.

For a business creation of a wine merchant company in Bordeaux it is paramount to know on which range the entrepreneur wants to work with. As we have seen before the wine industry is very different than any others industries. We can underline the importance of the contacts and the social network in this environment but also the products offer the entrepreneur wants to start with. The only difference between the wine merchant companies in Bordeaux is the range of products they can offer (the allocations they have with the classified wines) and the customers portfolio. In this sense the business creation of a wine merchant company seems very different of any other venture creation. It seems that the only way for an entrepreneur to enter in the Bordeaux wine market with in new company is to have a different distribution channels than his competitors, or different customers or different products. These aspects seems to be the only key of success to take market share from the competitors.

Therefore, once the entrepreneur has found one of the lever that can change the way to sell wine and be better than other companies on one of these key points, the opportunity to use this lever to create a company appears as realizable idea. Even more if the entrepreneur wants to create a new venture and act as an agent on the wine market.

### 2.3 Presentation of Wine Essence



Figure 4: Wine Essence Logo



Wine Essence is a French wine merchant start-up established in January 2012 by three young entrepreneurs François-Régis Borde, Quentin Laurentjoye and one of the authors. The company is located in Bordeaux, in the South-West of France and wants to penetrate the industry we have describe previously.

Mr. Borde is 27 years old and has a Master degree in Management of Vineyard and a DNO (national oenology diploma). He has been formed in one of the eight First Growth, Château Lafite Rothschild. His work in the start-up consists of selecting and tasting the wines and affords assistance to the winemakers and to the customers.

Mr. Laurentjoye is 26 years old and has a Bachelor on Environment and Quality and a BTS Viti-Oeno (winemaker diploma). He has been formed in one of the biggest wine merchant company Durthe & Kressman. His role in the company is to take in charge the relationship with French customers and suppliers.

And Mr. Gerchenzon is 27 years old and has a Bachelor in European Business Management and a Master degree in International Trade. He was formed in Sainte-Croix-du-Mont appellation and in The Sampler Wine Merchant in London, one of the main actors of the wine British industry. In the start-up he is responsible of the international sales and wine export.

The firm has two distribution channels; the first one is in B2C in France, with private customers and the second one is in B2B with different wholesalers, specialized shops in France and abroad. Wine Essence proposes a wide range of products, from Bordeaux wines (red, rosé, sweet and dry white) to Burgundy and Champagne. The segment of market the firm wants to reach, is a middle price range of wines. The entrepreneurs have chosen this specific segment of market because they have realized that the competitors were focusing on high price wines where the biggest demand is. After a small analysis of the market they have determine their strategy in order to enter in a crowded market by differentiation with the competitors. The middle range price wine can be sold everywhere and does not need a particular target as the high price wine needs it.

The operating system of the company consists of collecting the wine ordered by the customers, and then regroup the different products on a logistic platform, stock it if

necessary and finally send it to the customers. Wine Essence buys the bottled wine in bulk and then sells it to their different customers. Wine Essence does not produce wine and does not have its own wine yet. The aim of the entrepreneurs in the future is to develop the start-up and then be able to produce their own wine under the name Wine Essence and then focus on the sales of their own products. But for the moment, they are an intermediary between the Châteaux and the customers.

We have chosen this company for our case study because we have followed the business creation process since January 2012 and we are able to describe the elements and situation the start-up has been through. The aim is to compare the business creation process of Wine Essence with the theory we will study in our analysis. We have realized interview on the three entrepreneurs to understand their mindsets and strategy in this business creation process. At the end of the analysis, we will be able to show the differences between the theory and the practice in the special case of a French wine merchant business creation.

### **3 Literature review**

In this chapter, we will introduce to the reader the literature which is used to answer the purpose. Our goal is to carry out the understanding of the main steps of business creation process, followed by a presentation of “Recognizing opportunities and generating ideas”, “Feasibility analysis”, “Industry, market and competitor analysis”, and “Developing an effective business model” which are the main parts of the business creation process. Finally, we will present how these processes assist to the Wine Essence company.

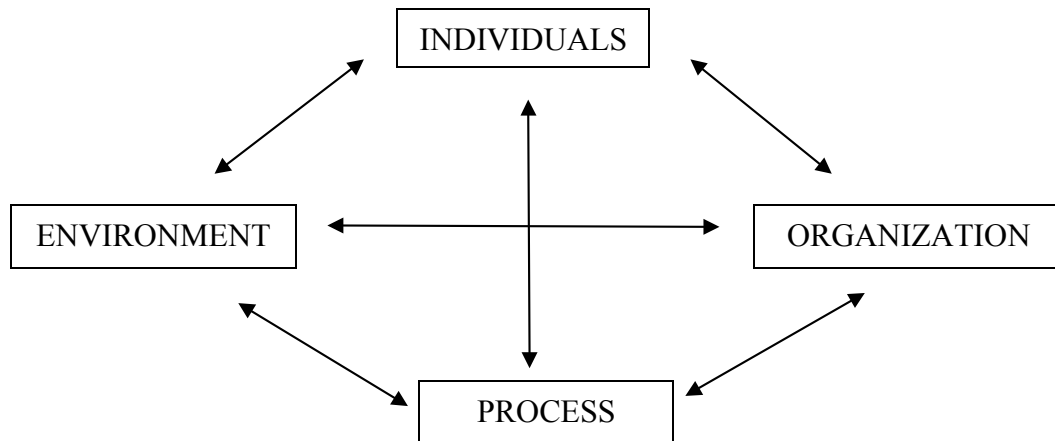
#### **3.1 Explanation of business creation process and entrepreneurship**

The literature suggests about entrepreneurship that there are significant differences between entrepreneurs and non entrepreneurs and between new firms and already established firms. “A framework for describing new venture creation integrates four major perspectives in entrepreneurship: characteristics of the individuals who start the venture, the organization which they create, the environment surrounding the new venture, and the process by which the new venture is started” (Gartner, 1985).

“The creation of a new venture is a multidimensional phenomenon; each variable describes only a single dimension of the phenomenon and cannot be taken alone. There is a growing awareness that the process of starting a business is not a single well-worn route marched along again and again by identical entrepreneur” (Hartman, 1983). New business creation is a complex phenomenon: entrepreneurs and their firms differentiate; also the actions they take and the environments they operate in are diverse - and all these features form complex and unique combinations in the creation of each new venture. Therefore, there is no “average” entrepreneur and “typical” venture creation. New venture creation is “the organizing of new organizations. To organize is to assemble ongoing interdependent actions into sensible sequences that generate sensible outcomes” (Weick, 1979).

Figure 6 below presents a framework for describing the creation of a new venture across four dimensions: (a) individual(s) - the person(s) involved in starting a new organization; (b) organization which is the kind of firm that is started; (c) environment which is the situation surrounding and influencing the new organization; and (d) new venture process which is the

actions undertaken by the individual(s) to start the venture (Gartner, 1985). Gartner (1985) outlined a framework of four dimensions that should be accounted for when studying new ventures: the individuals involved in the creation of the new venture, the activities undertaken by those individuals during the new venture creation process, the organizational structure and strategy of the new venture, and the environmental context of the new venture.



**Figure 5:** A framework for describing new venture creation, (Gartner, 1985).

However, as the literature says there is no particular configuration for new venture creation. The framework above is the first to combine the four dimensions of venture creation, though other researchers have sought to combine two or more of the dimensions. “The four dimensional conceptual framework can be seen as a kaleidoscope, as an instrument through which to view the enormously varying patterns of new venture creation” (Gartner, 1985). In analyzing results of one of the four dimensions, Collins and Moore (1970) suggest that individuals who start firms are social misfits who do not fit into most organizations, while Cooper (1970) suggest that individuals who start successful firms are good team players. “The framework for describing new venture creation provides the possibility of describing subsets within the unwieldy set of all entrepreneurs and all new ventures. Newly created ventures that display meaningful similarities across the four dimensions could be described and classified together” (Gartner, 1982).

To conclude our introductory part to literature review we must notice that the kinds of activities and the number of activities that entrepreneurs undertake, and the sequence of

these activities have a significant influence on their ability to successfully create new ventures. We will explain more precisely the most important steps of business creation in the proceeding parts of our analysis, which are: Recognizing opportunities and generating ideas, Feasibility analysis, Industry and competitor analysis and Developing an effective business model.

In the following parts we will explain the principal steps of a business creation process in order to understand the main four stages of the development of a business idea.

### **3.2 Recognizing opportunities and generating idea**

According to academic research we will define the entrepreneurial opportunity: “the market is an allocative process; a discovery process; and a creative process” (Buchanan & Vanberg, 1991). Every entrepreneur when starting a new venture has to be able to recognize, discover and create entrepreneurial opportunities. The Oxford English Dictionary defines opportunity as: “A time, juncture, or condition of things favorable to an end or purpose, or admitting of something being done or effected”. Therefore, an entrepreneurial opportunity consists of set of ideas, beliefs and actions that enable the creation of future goods and services in the absence of current markets for them” (Venkataraman, 1997).

Hence, entrepreneurial opportunity consists of new ideas or inventions that may or may not lead to the achievement of economic ends, beliefs about achievement of economic ends and actions that implement those ends through specific goods such as products and services. An entrepreneur should always look for the opportunity to discover, create and exploit new markets. But there is always high risk of venture failure.

Venkataraman, Dew and Velamuri (2002) defined three views of entrepreneurial opportunity, as follows:

- Opportunity Recognition: If both sources of supply and demand exist rather obviously, the opportunity for bringing them together has to be "recognized" and then the match-up between supply and demand has to be implemented either through an existing firm or a new firm.



- Opportunity Discovery: If only one side exists, for instance demand exists, but supply does not and vice versa then, the nonexistent side has to be "discovered" before the match-up can be implemented.
- Opportunity Creation: If neither supply nor demands exist in an obvious manner, one or both have to be created and several economic inventions in marketing, financing etc. have to be made, for the opportunity to come into existence.

To conclude this part, every invention develops opportunities for the creation of several possible economic effects. An effective entrepreneur needs not only the ability and alertness to recognize, and the perception and perseverance to discover opportunities for the achievement of pre-determined goals; such as increasing profits and larger market shares, but also he/she needs to be able to take decisions and actions based often only on human imagination and human aspirations, generate their ideas that may or may not in time lead to new products, firms and markets. Wine Essence entrepreneurs have created the company once they had recognized the opportunity, but they did not go through a PEST analysis (Political, Economical, Social and Technological factors research) because they saw the opportunity through a customer demand.

### **3.2.1 Case study. Recognizing opportunities and generating idea**

The intention to create a firm and the propensity to act (Krueger, 1993) are considered as the main forces that make the creation of a firm possible. Ardichvili, Cardozo, & Ray (2003) have recognized the identification of opportunities as one of the most important competences of successful entrepreneurs, and it is also become an important aspect in the scholarly study of entrepreneurship. Many studies have been done on the subject about why and how some people are better to identify opportunity than the others (Shane & Venkataraman, 2000). Long & McMullan (1984) observed that the knowledge derived from education or work has a bigger influence when creating a business than the degree of innovation of the opportunity, and we agree on this point. In the Wine Essence case we have noticed that the level of education of each entrepreneur gives them the abilities to see an opportunity but also to react positively to it. The knowledge and the experience developed and acquired during

the formation years are paramount factors in the business creation process. We agree with the literature which defines the entrepreneurs as special persons to recognize opportunity and to transform it to a successful business idea., even if most of time the founders attribute their initial idea for a business creation to odds. For Wine Essence, the business creation was made after that the entrepreneurs realized that they had an opportunity to answer to the demand. One of their contacts was interested in a wide range of different wines (French, American, German, etc) and was wondering who could be able to regroup all these wines. The three entrepreneurs thought about the opportunity and decided to accept the challenge. Wine Essence was created on internal stimulation; they have identified a gap in the market with a specific segment of customers and they have decided to fill it.

Through this explanation we can realized that the work experience is also present in the identification of the idea, because the entrepreneur needs to be aware of his environment and what she/he is going to face with the business creation.

For Wine Essence, this phase of the business creation process was very fast - no more than two weeks to pass from opportunity identification phase to the business creation launching steps. The entrepreneurs decided to create the company to fill the gap there was in the market with a particular segment of customers. They have realized that this segment of customers will give them the possibility to penetrate the market easily and quickly, without any competitors on this precise market, also called a niche.

### **3.3 Feasibility analysis**

It is important that most techniques for entrepreneurship behavior and salience in the pre-start up phase of a business creation are systematic in approach. This part of our paper explores the utility of a feasibility analysis. We have chosen to analyze this step of business creation for a more inclusive assessment of entrepreneur's behavior in the context of sustainable development. Before contributing to the final steps of a business creation process, we want to support our analysis with some theory about importance of carrying out feasibility analysis. While application of the theory suggests that it is beneficial and useful to complete feasibility analysis before starting a business.

Feasibility analysis helps to figure out a potential framework for planning and assessing a foreseen development. Feasibility analysis is a pre-start up and strategic planning tool, con-

ducted in the pre-business plan phase of a development. It involves a process of "collecting and analyzing data prior to the new business start up, and then using knowledge thus gained to formulate the business plan itself" (Castrogiovanni, 1996). "Implementing a detailed feasibility analysis during the project planning process demonstrates how the development will operate under a specific set of assumptions considering all economic and non-economic factors" (Matson, 2004).

Feasibility analysis occurs before considerable investment is made. Feasibility analysis is considered as an important business tool; during this process an entrepreneur contemplates usefulness and benefits of the potential business success. Strategic planning is one of the useful activities of feasibility analysis. It can produce many creative solutions. Therefore, pre-start up planning has concrete advantages depending on the context in which our venture take place. Such contexts include a number of environmental conditions, such as "uncertainty, munificence, and industry maturity, and founder conditions, such as knowledge and capital" (Castrogiovanni, 1996). These various contexts have positive or negative influence on the effectiveness of strategic planning efforts. Castrogiovanni (1996) debates also that, with all the consideration of contexts, pre-start up planning has no applied influence on financial performance, survival or other outcomes. However, planning benefits from that it gives the ability to achieve its goals and objectives to a firm in an easier way. Some of the benefits are following: learning through planning, legitimization of the business, improving communication with external stakeholders, increased efficiency and cooperation through improved communication within the organization, and streamlining certain procedures before starting up the business. Lyles, Baird, Orris, and Kuratko (1993) spoke about formal planning that offers firms a comprehensive strategic decision making process including a wide variety of alternative strategies and this in turn leads to higher levels of performance and profitability.

We agree on the usefulness of strategic planning, literature emphasizes assessment of the relationship of pre-start up planning to business performance because "formal strategic planning usually results in performance success" (Pearce, Freeman and Robinson 1987; Powell 1992; Schwenk and Shrader 1993). Thus, strategic planning tool like feasibility analysis is beneficial and can increase performance and success rate of a company. "Positive planning-performance relationships outnumbered negative ones" (Powell, 1992). Schwenk and

Shrader (1993) noted that, “the overall relationship between formal planning and performance across studies is positive and significant”. After examining planning-performance we think that, strategic planning has the biggest impact on financial performance of a firm and on the business survival which is a defining success factor in a business creation.

However, we should realize that measuring the success of a business must involve an evaluation which goes beyond the survival or financials. Judge and Douglas (1998) articulates the changing attitudes that “strategic planning can and should have an impact beyond the financial performance of the firm”. Then, success refers to much more than financial profitability.

Effective planning always occurs between all levels of planning from the international level down to the site itself. The members of a company need to have common goals and vision to make the plan work. Feasibility analysis also works as an intersectional link, connecting policies made at higher levels of planning to their implementation at the site level. “A further advantage to having a strategic planning tool at the site level is that it focuses on local particulars and specifics while still adhering to wider policies built on sustainable principles, thus linking the strategic and the normative” (Costa, 2001).

“Also, systematic stakeholder analysis can and should fit within the domain of feasibility analysis. Nevertheless, the literature on feasibility analysis and pre-start up planning does not offer a framework for determining stakeholder status” (Yuksel et al, 1999). But there is no template for identifying these stakeholders during pre-start up planning.

Therefore, it is important to approach a systematic stakeholder analysis framework and then explores its utility for feasibility analysis. Freeman (1984) describes a stakeholder as “any group or individual who can affect or is affected by the achievement of the organizations objectives”. Freeman also approached that the possible number of stakeholders is unlimited and could include competitors and media, but about this we will mention more broadly in the next part of “Market Analysis”. As stakeholders are identified, planners in collaboration with numerous stakeholders could conduct feasibility analysis. Therefore, entrepreneurs should be collaborative, use a common framework to collectively plan, set goals and objectives, and evaluate a proposed development. An important aspect of feasibility analysis is the question of perspective.

Finally, feasibility analysis embodies the elements of strategic planning, such as an emphasis on goal and target specification, identification and evaluation of alternative policy actions, quantitative analysis and prediction of environment, and an evaluation of means against ends.

### **3.3.1 Case study. Feasibility analysis**

We cannot really speak about feasibility analysis concerning the creation of Wine Essence. As we have seen in the previous part, “Recognizing opportunities and generating ideas” the three entrepreneurs have recognized the opportunity and have transformed it into a business idea. Intention is related with the attitudes, more concretely concerning the perceived desirability and feasibility (Gatewood, Shaver, & Gartner, 1995). The personal choice to start a new venture depends on three elements: (a) the perception of the desirability, (b) the propensity to act, and (c) the perception of feasibility (Shapero, 1982). This was the first model, “Entrepreneurial Event model”, it considers the business creation as an event that can be explained with the interaction between initiatives, abilities, management, relative autonomy and risk (Guerrero, Rialp & Urbano, 2006).

But since the model has involved and many studies have been made on the subject, the Davidsson’s model (1995) is the last considered. According to this model, intention to go into a business can be influenced by two elements: (a) the conviction defined by general attitudes (willingness to change, competitiveness, money orientation, achievement, and autonomy) and domain attitudes (payoff, social contribution and know-how), and (b) the current situation (Davidsson, 1995). We agree with this last model from Davidsson, because we have experienced it during the business creation of Wine Essence. We want to underline an aspect of the intention of going into a new business which does appear in small portion in both Davidsson and Sheparo model through the “know-how” and the “perception of feasibility”; the idea of professionalism.

We have seen through Wines Essence business creation that the entrepreneurs did not make any feasibility analysis but were able through their knowledge of the industry and the abilities they possess in entrepreneurship to take a decision about a new venture thanks to their prior experiences. The know-how should be take a bigger part in the feasibility analysis, because an entrepreneur who is an expert of her/his industry, is able to take a decision and to act efficiently than any other entrepreneur and without following the steps we have seen pre-

viously in the literature. And the ability to take the decision make the entrepreneur even more efficient on his/her activity.

For the case of Wine Essence, the entrepreneurs have identified the opportunity of selling wine to a specific type of customers and to offer them a new type of service. They are on a niche market, delivering complete wine list to palaces in adequation with their customers. The feasibility analysis depends on their abilities to answer positively to the demand, thanks the right range of products. We can add to the professionalism that the social network in this case plays a very important role, in order to be in contact with the right person, when they need specific products. The three entrepreneurs did not need a proper feasibility analysis as we have seen in the previous part, but they needed to know their industry to be able to understand the need of the customers and to be able as entrepreneurs to take the right decision and to take on the risk.

### **3.4 Industry, market and competitor analysis**

This part of the paper indicates techniques that may be useful in the case of using the help of analysts who usually incur excessive expenses for a firm. Market analysis often concerns two basic tasks. The first one is to assess the size of existing markets and the second to forecast the size of future markets. Research of domestic market is much easier than analysis of the international one. What makes the international market more difficult to analyze is that a firm has to go through many diverse markets with unique characteristics; however, in this case it is hard to generalize. Also, the problem is that many foreign markets miss the reliable statistical data, especially the developing economies. There are several factors to consider before finding a potential market for particular products, such as differing customs, tastes and the trade restrictions. We should also think of trade blocks, for instance, in the European Economic Community, European Union countries are usually evaluated as individual countries rather than together as a trade group. Most of these national markets are small compare with the U.S. market. Therefore, the market research is necessary for analyzing the markets which are either superficial or reasonably priced when after we compare the benefits or adequate expenses that a company has to pay (Moyer, 1968).

In additions, it is important for a company to have the ability of competitive advantage, which is connected to successive market analysis capacity. But maybe the clue of this advantage lies in market positioning, as well as be able to look outside the firm. Entrepreneurs should focus on the existing core competences and assets of their firms and think how they can expand them. “Core competences are viewed as catalysts which reduce the time and cost required for a business to expand its asset base in ways which allow it to deliver a more competitive product; they help companies build new assets which can enhance their competitive advantage, enable them to meet the needs of changing markets and diversify into new ones.” (Verdin & Williamson, 1994).

A regular market consists of a group of current and/or potential customers who are willing to buy products, goods or services, to satisfy their particular wants or needs. Thus, markets consist of buyers – people or organizations and their needs, not products. If we speak about what is an industry, it consists of sellers, typically organizations, which offer products that are similar and close substitutes for one another. Therefore, is there a difference between an industry and a market? According to Mullins (2003), “judgments about the attractiveness of the market one proposes to serve may be very different from judgments about the industry in which one would compete.” Mullins says that “this should not be – but often is – surprising, for the questions asked to assess market attractiveness are different from those for industry attractiveness, a point easily obscured when words like “sector and space” are used indiscriminately or carelessly in the opportunity assessment process.”

Also obviously, most entrepreneurs and investors would prefer to serve attractive rather than unattractive markets. But how might such a market assessments be made? According to Mullins (2003), assessments must be made at both the macro- (broad, market-wide) and micro- (particular to a specific segment) levels.

He emphasizes that macro-level market assessment is quite straightforward to conduct. It is easy to measure how large the market is. Market size can be measured in many ways. This include: number of customers in the market, the aggregate money spent by these customers on the relevant goods or services, and the number of units of relevant products or usage occasions, bought annually. Also, it is relevant to collect recent historical data to make sure how fast the market has been growing and to forecast about how fast it is likely to grow in

the future, whether things are likely to get better or worse. Mullins (2003) highlights that the broad, macro-level market assessment is important to the entrepreneur to avoid the risk of failure. If we speak about micro-level, it is difficult for an entrepreneur to face other competition. In this sense, there is no such thing as a new market in customer terms; we will always find a competition. The entrepreneurs who say that they have no competition are simply naive.

Thus, the micro-level market assessment involves asking four key questions relevant to a particular market: is there a target market segment where we might enter the market in which we offer the customer clear and compelling benefits at a price they are willing to pay? Are these benefits, in the customers' minds, different from and superior in some way – better, faster, cheaper or whatever – to what's currently offered by other solutions? How large is this segment, and how fast is it growing? Is it likely that our entry into this segment will provide us entry to other segments we may wish to target in the future?

How all these problem can be solved? By collecting data draw from talking to or surveying potential customers and data which is available on the Internet or in libraries or from other sources, to determine segment size and growth rate. These can deliver the understanding that the entrepreneur needs.

Mullins (2003) also emphasizes that many aspiring entrepreneurs make the mistake of examining only the macro-level.

Another solution for decent market analysis can be the five forces of Michael Porter, that determine industry attractiveness through the analysis of the customers, suppliers, new entrants, substitute products and the competitive rivalry on the market. However the Porter's 5 forces analysis use alone will be just an indicator of the industry for th company and will not realize a complete market study.

In this part, we have tried to describe several techniques for market analysis. There are many conventional devices, useful in marketing research, that may be used equally effectively in domestic marketing research and abroad as well.



### **3.4.1 Case study. Industry, market and competitor analysis**

“A business that increases its market orientation will improve its market performance; this proclamation has been issued continuously by both marketing academicians and marketing managers for more than 30 years” ( Kotler and Andrease 1987; Levitt 1960; Webster 1988). The proclamation of the last 30 years seems still legit in nowadays. “Judged by the attention paid to it by the practitioners and academicians in speeches, textbooks, and scholarly papers, market orientation is the very heart of modern marketing management and strategy yet, to date no one has developed a valid measure of it or assessed its influence on business performance” (Narver & Slater, 1990). These authors discuss the relationship between sustainable competitive advantage and market orientation, and why a market orientation is the business culture that most effectively and efficiency creates superior value for customers. We agree with this proclamation that the market orientation will define the performance of the company, for a start-up as an already established firm. In the Wine Essence case the entrepreneurs have realized through a small market analysis that the segment of customers they wanted to reach was still free from active competition. The market analysis made by Wine Essence was more informal than concrete. The entrepreneurs just wanted to have an overview of the market and have used very briefly the Porter’s 5 forces and some surveys made by Ubifrance (organization managed by the French Economy Minister). Thanks to these analysis they have defined that the segment of customers they were targeting was very attractive and not submerged by the competition yet. The start-up would have a great bargaining power on the supplier and on the competitors, because the segment of market can be considered as a niche concerning the service they propose.

We have seen through the literature review that it was almost impossible for a new venture to analyze all its competitors, (direct, indirect, and future competitors) but the company has to be aware of its competitive environment. In the case of Wine Essence the competitive environment is very attractive and still not under the competitive rivalry. This is why the company went through the industry, market and competitor analysis very quickly but also because there were not so many information about this specific segment of market.

### **3.5 Developing an effective business model**

Sometimes business ventures fail despite seemingly great new ventures ideas, existing market opportunities, appropriate resources or talented entrepreneurs.

This is why it is favorable to develop a business model which will protect the venture from failures. There is no frame how to create a successful business model, however it is all dependent on many aspects which we will figure out in this part of our analysis.

First, we should learn how we define business model. There are many definitions of business model which have emerged and they are generally accepted. According to Steward and Zhao (2000) business model is “a statement of how a firm will make money and sustain its profit stream over time.” As we can notice from this definition business model is entirely defined in terms of the firm's economic model. The main issue is the profit generation.

It is also important to focus on internal processes and design of infrastructure to enable firm to create value. Mayo and Brown (1999) refer business model to “the design of key independent systems that create and sustain a competitive business”. Then Slywotsky (2006) refers it to “totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits”. Therefore, to provide one integrative definition of business model, we chose the one from Osterwalder (2005), Advisor on Business Model Innovation: “A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.”

After defining the business model approach we should notice that the knowledge or interest in business models is relatively new. The largest volume of research has come from electronic commerce (Mahadevan, 2000). There was much research appearing in the past decade, a time period associated with the “new economy”. Amit and Zott (2001), who approach the business model construct as a unifying unit of analysis that captures value creation arising from multiple sources. They argue for a cross-theoretical perspective, concluding that there is no single theory which fully explains the value creation potential of a venture.

The business model construct builds upon the value chain concept (Porter, 1985) and the extended notions of value systems and strategic positioning (Porter, 1996). Business model encompasses competitive advantage and also draws on resource-based theory (Barney et al., 2001). In terms of the firm's fit with the larger value creation network, the model relates to strategic network theory (Jarillo, 1995) and cooperative strategies (Dyer and Singh, 1998). Therefore, business model involves vertical integration or competitive strategy choices about firm boundaries (Barney, 1999) and relates to transaction cost economies (Williamson, 1981). The management of a firm has to always consider the firm's value proposition, choose the right activities to undertake and decide how the firm will fit in the value creation. It is important for a firm to establish appropriate relationships with suppliers, partners and customers and address the internal competences which are the base of a firm's competitive advantage.

Therefore, the business model is a necessary component of a system which builds the firm's background. With systems theory, the business is viewed as an open system with varying levels of combinatorial complexity among subsystems and bounded by the environment and open information exchange (Petrovic et al., 2001).

Moreover, a firm in order to create and offer value of a product to customer has to be concerned about the nature of the product and service, the firm's role in production or service delivery, and also how the offering is made available to customers. To whom the firm will create value it is dependent on the nature and scope of the market in which the firm competes. Customer type, their interaction requirements and their geographic dispersion have significant impact on organization's life. If the market is not adequately defined it usually leads to venture failure. Finally, each component affects and is affected by the other components. But also as environmental conditions change, the model will require adaptation or complete change. Furthermore, within time and experience an entrepreneur makes failure or success is likely to become more strategic in his/her view of business operations over time.

We can say that the business model is closely connected with number of concepts from the field of strategic management. Porter (1996) spoke about strategy as performing different activities than competitors or performing similar activities in different ways. The business model has elements of both strategy and operational effectiveness. Porter (1996) also speaks about determining "activity sets" of recent work by a firm. The business model organizes these activities around six key decision areas.

To conclude this part about developing an effective business model we definitely can say that the business model is a central construct in entrepreneurship research. The model helps to find a value-based venture. It provides a useful background for strategically adapting fundamental elements of a business. A model that ignores one or more of the elements will suffer in terms of its comprehensiveness. The business model can serve as a focusing device for entrepreneurs and employees.

### **3.5.1 Case study. Developing an effective business model**

In the Wine Essence case, the entrepreneurs did not develop any proper business model, except the industry business model. The wine sector is very “old-school” and reluctant to afford new ways to sales the product or service. Even the customers, would not understand why a wine merchant would change the standards of the sales. This is why we will not speak about the business model in dept.

Wine Essence entrepreneurs make a business model every six months in order to have a direction to follow but also to define the role of each member. Everybody is aware about the action of the others and can work knowing what is the main goals or objectives for the next six months. They make a checkpoint after 3 months to know if someone wants to add something to the business model due to a fast change in the industry or in the wine lists, to be sure to always follow the line of objectives.

The business model for Wine Essence is more a tool for the company than for the stakeholders. The owners know that they can use it to involve investors and bankers if needed but the principal goal they gave to the business model is to show them the right path to follow. It is a map of the future tasks they have to do, a kind of six months time table.

## 4 Analyses

### 4.1 Interpretation of the interviews

We are going to analyze the answers of the interviews through four parts, the presentation, the business creation process, the problems encountered and the results.

#### *The presentation part*

Thanks to this part of the interview we can notice that the three entrepreneurs are high educated. The three of them are graduated with higher degree diplomas such as Bachelor or Master degrees and they all have a double formation. This double formation implies an alternative format of education toward university studies and work experience in some companies of the Bordeaux wine industry.

We can say that the entrepreneurs know very well their environment thanks to their studies and previous experience on the wine market. We can notify that the abilities they possess supplement each other. Mr. Borde is a specialist of the wine science and of the winemaking. Mr. Laurentjoye is a specialist of the winemaking and of the sales. And Mr. Gerchenzon is a specialist of the international sales and of the wine export.

We can define this association of skills as their entrepreneurial strength, both regroup the core business of Wine Essence start-up and their competences give them the ability to create such a company. They all possess entrepreneurship knowledge, to a different level, but they all possess the skill to understand the business creation process thanks to their studies and degrees, and also thanks to their experience in the wine industry.

They identify by themselves their entrepreneurial strength as the knowledge and the experience they have of the market, the know-how in different area as the winemaking and the sales. They underline as well their social networks which give them the opportunity to evolve in an easier way rather than any other beginner in the industry. They know the importance of such a social network because they have already experienced the reality of this sector through their previous work experience for Châteaux or wine merchant. They extremely value their network by knowing that no university formation can give you this kind of background. More than be native from Bordeaux area, they have developed a real passion

for the wine industry, building along the years their knowledge and social network which make them unique part of the professional actors of the industry.

### ***The business creation process***

When we have asked the three entrepreneurs why they have created the company Wine Essence, they simply answered - because they have the opportunity. One of their contacts asked them if they knew somebody from the wine industry able to create and to propose a wine list to a chain of luxury hotels, they just replied “yes, we are able to do it”. As we have seen before they have taken on the risk, and transformed the idea into an opportunity.

Mr. Borde speaks about a challenge and the envy to prove that he was able to do something by his own and to compete with the most prestigious company in the sector. We find the same spirit of freedom and challenge in each of the interview; we can really feel that the entrepreneurs thanks to this idea have realized that they could be more than just expert of their specific area but by association they could be an entity and able to answer to the kind of demand they have met through this contact.

The idea they developed about self-fulfillment comes from the fact that the three entrepreneurs are young, especially for the wine industry, where the age and the maturity are the essential aspects to be credible. Joseph Schumpeter justifies this idea by explaining that entrepreneurs create economic growth through innovation and change (Schumpeter 1934). This also refers to Maslow’s pyramid, and the needs of the entrepreneur and his motivations to reach the self-fulfillment. It also means entrepreneurs have a strong belief in their capacities and competences to surpass obstacles (Johnson 1990).

Then we asked them if their qualifications and background helped them to create the company. On this point they all agree that their diploma degrees and their own work experience helped them to have a global vision about what they had to do, but not a precise approach of the business creation process. Thanks to their studies they have developed an entrepreneurial behavior, specialized in particular areas such as the wine legislation for Mr. Borde or the quality processes for Mr. Laurenjoye. But they agree to say that they did not have a special background that helped them with the business creation process. They have even said that they did not use any of the literature theory on the subject to complete their business creation. They did not think to use any of the theory about business creation because they

wanted to achieve the creation by themselves but they confessed that if they had used the theory on the subject it would have been easier.

Nevertheless they have asked the help of a jurist and an accountant in their social network to compose the status of the company and to create the financial files.

They underline that they did not follow any theory steps in the business creation birth but they agree to say that they have followed the French procedures rather than a real plan. So we can understand that the entrepreneurs did not use the business creation steps that we have developed in our literature review. We can explain this point by the knowledge of the market they have and their vision of the process. Too quick creation of a company answer to the opportunity they identified. This is why they also confessed that they did not make any analysis of the market or feasibility analysis on the idea because they have determined the opportunity and then, their experience of the market and their abilities to react to the opportunity was enough for them to launch the business creation process. Mr. Borde explains that they are focused on the niche market to begin “in order to propose a wine list to palaces in identifying their needs in accordance with their customer wishes”. So they have answered directly to the opportunities they had rather than trying to penetrate the market as any other new company. Mr. Gerchenzon says that they did not need to analyze the market to know that the opportunities were viable but also that they did not have time to do it.

### ***The problems encountered***

When we have asked the entrepreneurs about the problems they have encountered during the business creation process, we have realized that they did not meet big issues, but more specific problems such as the kind of company they wanted to create, the amount of money they have to invest, etc. Mr. Laurentjoye identified the time it took for the creation as the most important issue, because the entrepreneurs wanted to answer to the opportunities as fast as they can but the French administration took a long period of time before to accept the company registration. The entrepreneurs explain that they have missed some opportunities due to the bad timing with the business creation process. They did not think that the registration in France will be so long (around one month). Mr. Borde defined the registration procedures as very complicated and long, the forms to fill are not adapted to people who do not have the habit of legal terms. He also declared that the trickiest part is to think about all the area your company is going to be implied in, because the French government wants the entrepreneurs

to define as precisely as they can the activities of the firm. If unfortunately you want to change the status of the company, the entrepreneur would have to start the registration from the beginning. Then if you did not define properly the area of activity of the company, the entrepreneur can have some trouble with the justice.

The entrepreneurs explain that they have overcome the issues they have met by staying persistent and being patient. Their social network also helped to go through the trap of the business creation process by comparing the information with the other entrepreneurs of the industry.

We asked them if the theory of entrepreneurship could prepare them to face these issues, and the three of them argue that the theory cannot prepare anybody to the administration problem of a country, the only way to be prepared is to face these issues. They explained us that each business creation is different and there are many different manners to succeed to a business creation. Mr. Gerchenzon explained that there are too many factors that take part in the process that you never go through before you face them, for instance that the person responsible for the registration file does not know how to fill the form, and is unable to give you a hand. So we can understand that the theory needs to present the reality “in a perfect environment, neutral from any mistakes” to explain its arguments. But the reality is chaotic and the entrepreneurs underline this fact and argue that predicting a chaotic environment with an environment neutral from any mistakes will not prepare any entrepreneurs to cope with the difficulties of the industry.

### ***The results***

The entrepreneurs are satisfied with their business creation and agree that it was just the beginning of the adventure and that the hardest part will come. They explain that the business creation phase can be tricky but being a profitable and viable company is a tough challenge as well.

We have asked the entrepreneurs if now, after this experience, they will be able to recommend any business creation process as a framework. Mr. Borde says that he can explain the steps they were going through but he thinks that the process is specific to every company. Mr. Laurentjoye recognizes that they have a business creation experience which is completely different from the theory, because they were in a hurry to answer as fast as they can to the opportunities they had, so they did not take the time to look for information.



## 4.2 Difference with the literature

Now that we have interpreted the interviews of the three entrepreneurs of Wine Essence, we will compare the results of the case study with the general literature in order to show the differences in business creation process in practice and in theory. We will study each step of the business creation we have seen previously, to show any difference in details.

### *Recognizing opportunities and generating idea*

As we have noticed during the interviews, the entrepreneurs have created the company because they have realized that the opportunity they had was viable. In accordance with literature, individuals need to perceive a prospective new course of action as a credible opportunity, which requires the opportunity to not just be viable, but be perceived as viable (Krueger, 2000). Shapero (1982) argued, we can increase an organization's entrepreneurial potential by increasing the quality and quantity of potential entrepreneurs within that organization. In turn, we do that by increasing the quality and quantity of opportunities perceived by organization members. In Wine Essence company there are three entrepreneurs with a significant experience on the wine industry and as Shapero explained, the organization can increase its entrepreneurial potential by the perception of the organization members.

The literature argues that the entrepreneur should be able to identify a favorable set of circumstances that define a need for new business product/service. We can notice that Wine Essence entrepreneurs have followed the same concept. Any theory of venturing might wish to consider the process by which individuals identify credible opportunities and the important role of perception in that process (Shapero, 1985). The literature also argues that the entrepreneurial characteristics tend to make some people better than the other in terms of opportunity recognition and these are creativity, social network, cognitive factors and prior experience, able to take action and decision based often only on human aspiration and imagination. So we can notice that the Wine Essence entrepreneurs fit exactly with the previous definition. They have a real knowledge of the activity, an important social network and prior experience in the area with the most famous Châteaux and the biggest wine merchants of Bordeaux. We can say that the three entrepreneurs enter in the category of people who are better than other to recognize opportunity in the wine industry thanks to their background.

We can find this concept in the literature with the cognition-based model of Krueger, the centrality of perceptions in opportunity identification argues for taking a cognitive approach for insights into the nature of innovative activity and how to nurture it. In particular, social psychology offers the construct of intention as a consistently useful device to integrate past findings from a theory-driven, empirically robust vantage (Ajzen, 1987; Tubbs and Ekeberg, 1991).

From the same authors we can conclude this part by saying, from a research perspective, intention models have proven consistently robust both in explanatory power and in perspective validity. From a managerial perspective, the conceptual framework offers a parsimonious mechanism for diagnosing barriers to entrepreneurial activity.

### ***Feasibility analysis***

The literature speaks about the window of opportunity, the period of time in which a firm can realistically enter in a new market. In some industry there is a window of opportunity that opens only once as the high-technology. In some other industries the window of opportunity stays always open as the catering market, the demand on average stays the same from a year to another. Then there is the window of opportunity which will be very brief most of time based on a consumer trend and that will quickly pass. It appears to be very difficult to make money from a brief window of opportunity because the demand can suddenly drop down and lead to costly mistakes. Through the interview we have seen that the entrepreneurs have recognized the opportunity and did not give any importance to the period of time they wanted to enter in the market, neither the political, economic, social forces nor technological advances maybe because the wine industry seems to have an opened window of opportunity. They were more focusing on the timing for the business creation to answer to the opportunity on time rather than the period of time they will enter in the market. Time can play an important role in many potential opportunities. Golden opportunities hold out the promise of great rewards but generally require risky concentration of resources without the benefit of knowing whether the bet will pay off (Sull, 2005). In the case of Wine Essence, the entrepreneurs explained that it was possible for them because they already know the market and can easily understand if an idea can be feasible or not. They had in mind the scope of the business creation they have to realize in order to be able to exploit the idea. On this point we can assimilate the literature which argues about the benefits of feasibility analysis as learn-

ing by planning, legitimization of the business, improving communication with external stakeholders and increase efficiency. But we can realize that for already educated professionals, the feasibility analysis result of a basic study of the idea. The entrepreneurs of Wine Essence are aware of the industry mechanism and did not need to make the same feasibility analysis as beginners because they are already the actors of the sectors.

### ***Environment analysis***

The literature speaks about industry and competitor analysis through the Porter's 5 forces. Porter (1980) focused on the competitive environment that confronts firms in a particular industry. Porter's work provides five environmental influences on organizations: barriers to entry, rivalry among existing competitors, pressure from substitute products, bargaining power of buyers, and bargaining power of suppliers. The Wine Essence entrepreneurs did not use the Porter's 5 forces, because they already know the industry and the competitors. All the three entrepreneurs were born in Bordeaux and have a prior experience in the wine industry. But they keep in mind that much of the current concern over how to design organizations that keep and encourage innovative individuals is an indirect acknowledgment that entrepreneurs do not operate in vacuums - they respond to their environments (Peters & Waterman, 1982). As for the feasibility analysis, we can understand that the professionals of a sector will not use the entrepreneurial tools in the same way as a beginner entrepreneurs, because the professionals already possesses experience, mindset, techniques which give them the unique ability to follow the process of business creation without these tools. In organization theory literature, two different views of the environment have been developed. One perspective, environmental determinism, sees the environment as an outside set of conditions to which the organization must adapt (Aldrich, 1979; Aldrich & Pfeffer, 1976; Hannan & Freeman, 1977). The other perspective, strategic choice, sees the environment as a "reality" that organizations create via the selectivity of their own perceptions (Child, 1972; Starbuck, 1976; Weick, 1979). The Wine Essence entrepreneurs argue and define their entrepreneurial strength based on their knowledge of the area and its market, plus their qualifications. Bruno and Tyebjee (1982) found 12 factors that they found stimulating for entrepreneurship. These are venture capital availability, presence of experienced entrepreneurs, technically skilled labor force, accessibility of suppliers, accessibility of customers or new markets, governmental influences, proximity of universities, availability of land or facilities, accessibility of transportation, attitude of the area population, availability of supporting services, living con-

ditions. However, the owners of Wine Essence constantly have in mind the different kind of competitors they are facing because they have worked for them, with them, and against them. They are already aware of the competitive environment which the literature calls competitive intelligence. The entrepreneurs have underlined that they are not entering in a new market, they are entering in a market they know and this is one of the main difference with the literature which does not consider this point in its analysis. The main point between literature and the case is that the entrepreneurs of Wine Essence focus on their competitive advantages and core business. They protect it against the competitor and think about how to expend them.

### ***Developing an effective business model***

The literature describes the business model as a way to add value in a unique manner and try to revolutionize the path to sell product and service. A successful business model creates a heuristic logic that connects technical potential with the realization of economic value. The business model unlocks latent value from a technology, but its logic constrains the subsequent search for new, alternative models for other technologies later on—an implicit cognitive dimension overlooked in most discourse on the topic (Chesbrough and Rosenbloom, 2002) . A good business model answers Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost? (Magretta, 2002). The entrepreneurs of Wine Essence have defined their business model on the business model of the industry. They buy bottles of wine in bulk and sell them. The wine industry is very “old school” concerning the way to revolutionize the path to sell the product. So the entrepreneurs explained that they have followed the trend without trying to change the way to sell wine. The literature says that there is no standard business model but apparently there is a way to make business in the wine industry, and the entrepreneurs need to follow it. Wine Essence develops its own business model in keeping an eye on the industry wishes. All new business models are variations on the generic value chain underlying all businesses. Broadly speaking, this chain has two parts. Part one includes all the activities associated with making something: designing it, purchasing raw materials, manufacturing, and so on. Part two includes all the activities associated with selling something: finding and

reaching customers, transacting a sale, distributing the product or delivering the service. A new business model's plot may turn on designing a new product for an unmet need. Or it may turn on a process innovation, a better way of making or selling or distributing an already proven product or service (Magretta, 2002). The literature does not really pay attention to the industry itself concerning the business model. We understand that a business model can revolutionize the manner to sell a product but in most industries which are under the government regulation as the alcohol or the tobacco, the companies have to follow the legal norms. They can innovate their procedures inside the firm but not in the way to sell it if it is not authorized by the law. The theory on this point is a bit far from the reality of the market, because it does not concentrate on the particular industry. We can understand why the entrepreneurs of Wine Essence have preferred to follow the wine industry rules rather than take some risk which can cause the failure of the company.

### **4.3 Main results of the analysis**

Our analysis is almost over and we come back to the main results of the analysis concerning the research questions, to be sure to bring an answer to these important issues.

The purpose of this research is to explore the relation between theory and practice concerning business creation. As we have seen all along this study the theory and the practice are intertwined and cannot be treated separately. Bower underlines the dominance of economic theory underpinning strategy teaching which has generated an excessive focus on the strategist as a simple agent for profit maximization. This move away from practitioner as a sentient being, comprising values and judgments beyond that of rational profit-maximizing agent, has led to economic theory-laden strategy teaching that is less and less based in practice (Jarzabkowski & Whittington, 2008). By contrast, Grant proposes that, without recourse to theoretical models, particularly economic theory, students and even senior strategy practitioners lapse into cognitive recipes based on little more than folk wisdom and anecdote. The assumption is that practice-based teaching is devoid of theory, while theoretically derived teaching is abstracted and irrelevant to practice. This analysis from Jarzabkowski and Whittington refers to the "Dirty Hands versus Clean Models" article of Hirsch, Michaels and Friedman (1987). Economic theory is prone to unrealistic but parsimonious theoretical ab-

stractions (the clean models), while sociological theory provides the (dirty hands) research that gives complex insight into the messy realities of practice. Jarzabkowski and Whittington therefore propose that the sociological theories of practice that underpin strategy-as-practice might help to bridge this false dichotomy between theory and practice in the classroom.

Concerning this relation problem between theory and practice we share the most the idea of Bower than Grant and we believe that Bower's vision can be extended through sociological theories as the action theory of Bourdieu (1994). Actually we disagree with Grant on many points about the theory and the definition he makes of it. We do believe that the theory come from the practice and we have many examples to defend this idea. In the early 20th century, The Ford Motors Company introduced the model T and at the same time a modern economic and social system based on industrial mass production called Fordism. "Fordism is the eponymous manufacturing system designed to spew out standardized, low-cost goods and afford its workers decent enough wages to buy them" (De Grazia, 2005). In contrast with the Fordism, in the 1990's the Toyota Production System launched the "Lean concept" also known as Toyotism which is centered on preserving value with less work.

Thanks to these two theories which have regulated automobile industry all along the 20th century and inspired some new concepts in the 21<sup>st</sup> century, we can see that both companies have innovated in the way they were managing their procedures and processes until the point it became a standard in the economy. We can underline that these theories did not come from books or universities but from work-chain and automotive workshops because only practitioners have the wish to make their companies better, their production faster, their procedures shorter and the quality higher.

Grant said: "without recourse to theoretical models, particularly economic theory, students and even senior strategy practitioners lapse into cognitive recipes based on little more than folk wisdom and anecdote" but models come from folk wisdom and anecdotes which are based on true stories, as Henri Ford (Ford Motors Company), Steve Jobs (Apple) or Richard Branson (Virgin). We believe that the theory is useful to the entrepreneurs to avoid costly mistakes and errors which lead to failures especially concerning the business creation, but we do believe that if the entrepreneurs know their industry they can focus on the practice part more than on the theory and that is what Wine Essence's entrepreneurs have done.

Then we arrive to the next questions, we aim to provide the answer. Do the experience and the background of the entrepreneurs help the business creation process? Does the entrepreneur's knowledge of an industry has an impact on the business creation process? We can see that similar question has been already discussed: Does formal education increase an entrepreneur's cognitive abilities to better evaluate opportunities, as asserted by Schultz (1959)?

Human capital theory maintains that knowledge provides individuals with increases in their cognitive abilities, leading to more productive and efficient potential activity (Schultz, 1959; Becker, 1964; Mincer, 1974). Therefore, if an entrepreneur possesses background, experience and knowledge of the industry, individuals with more experienced or higher education should be better at perceiving business activities. Once engaged in the entrepreneurial process, for example knowledge of wine industry as Wine Essence owners, such individuals should also have superior ability in successfully exploiting opportunities. Previous knowledge plays a critical role in intellectual performance. It assists in the integration and accumulation of new knowledge, as well as integrating and adapting to new situations (Weick, 1996). As we have mentioned before knowledge may be defined as being either tacit or explicit (Polyanyi, 1967). Tacit knowledge refers to "know-how", which is one of the main feature and strong point of Wine Essence owners. "Know-what" consists of the explicit type of information normally conveyed in procedures, processes, formal written documents, and educational institutions. Solving complex problems and making entrepreneurial decisions utilizes an interaction of both tacit and explicit knowledge, as well as social structures and belief systems (Davidsson & Honig, 2003). Formal education is one component of human capital that may assist in the accumulation of explicit knowledge that may provide skills useful to entrepreneurs. Empirical research has demonstrated a range of results regarding the relationship between education, entrepreneurship and success, with education frequently producing non-linear effects in supporting the probability of becoming an entrepreneur, or in achieving success (Bellu, Davidsson & Goldfarb, 1990; Davidsson, 1995; Evans & Leighton, 1989; Gimeno, et al., 1997; Honig, 1996; Reynolds, 1997). Also, broad labor market experience, as well as specific vocationally oriented experience, is theoretically predicted to increase human capital (Becker, 1964). Wine Essence owners also have the ability of actors to extract benefits from their social structures, networks, and memberships (Lin, Ensel & Vaughn, 1981; Portes, 1998). Social networks provided by extended family, community-based, or organizational relationships are theorized to supplement the effects of education, experience, and financial capital (Bourdieu, 1983; Coleman, 1988; 1990; Loury,

1987). We think that individuals with more knowledge objectively discover more and/or better business opportunities and perhaps individuals with higher amounts of human capital have greater self-confidence, enabling them to make a choice toward independent entrepreneurship. Alternatively, they may feel the risks are lower for them, in that they are more easily re-absorbed by the labor market should their venture fail (Shane & Venkataraman, 2000). The nascent entrepreneur usually have human indicators which are weaker and much less consistent. It appears that tacit knowledge is marginally more important during the business creation process.

This leads us to the last questions of our study, do experienced actors of the wine industry use different paths than the one defined in the literature to create a new business? Do they skip some steps of the business creation?

Experienced actors as we have seen during this study refer to the persons who play an active role in any industry. Concerning the wine market the actors are represented by the wine merchants, the winemakers, and all the persons who are linked with this activity. Wine Essence's entrepreneurs are actors of the wine industry and have the background to be considered as experienced actors. In the study of entrepreneurship there is an increasing emphasis on the role of self-efficacy. We can consider that every person who knows his/her skills and abilities exercise self-efficacy. This is an individual's cognitive estimate of his/her "capabilities to mobilize the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives" (Wood and Bandura, 1989). As we have seen with the entrepreneurs of Wine Essence, they have defined their knowledge of the industry as their entrepreneurial strength. Starting one's own business or initiating a new venture is often described as a purposive and intentional career choice (Bird, 1988). Although there can be a wide variety of contextual as well as individual factors that influence the entrepreneurial choice, the role of entrepreneurial self-efficacy has been emphasized as a key antecedent and explicitly proposed that entrepreneurial self-efficacy affects entrepreneurial career choice and development (Boyd and Vozikis, 1994). We believe that the environment, the social network and the know-how are the most important factors for entrepreneurs in order to create a new venture. This allows entrepreneurs to derive, modify, and enhance their self-efficacy in their continuous interaction with their environment and as self-efficacy is closest to action and action intentionality. If people perceive an identical reality consisting of uncertainties, risks, and hardships, those with high entrepreneurial self-efficacy would feel more compet-



ent to deal with that reality than those with low entrepreneurial self-efficacy. We have already seen this concept with the recognition of an opportunity, some entrepreneurs are better than the other to perceive the opportunity. Brockhaus (1980) contended that because entrepreneurs have a very high belief in their ability to influence the achievement of business goals, they perceive a very low possibility of failure. We agree with the author above and we have verified this feeling through the interviews of the Wine Essence's entrepreneurs, they seemed very confident about the venture creation success, even if they have argued that the most difficult part came after the business creation. This aspect of the entrepreneur modify their scope of entrepreneurship and the ways they will choose to create a new venture. The interviews revealed that the entrepreneurs of Wine Essence did not really follow any step of the business creation as it is described in the literature but have more experienced their own paths for this business creation. The self-efficacy gives us the opportunity to better understand the entrepreneurs mindset and intentions about the business creation. We can think that entrepreneurs who know their qualities as actors of an industry do not use the same paths as the literature recommends but prefer to use their own experiences to create a new venture. We have felt during this study that there is a gap between the beginners and the experienced entrepreneurs which seems obvious. However the experience and knowledge as we have seen in the previous part seem to confer to the entrepreneurs the ability to treat faster almost all the tasks and steps of the business creation.

## 5 Conclusion

The purpose of this research was to explore what is business creation in theory and practice perspectives. Furthermore, we aim to provide an understanding on this topic about experienced entrepreneurs and the paths they choose to create a new venture in the wine industry.

As this topic has not been frequently researched before, we set out to develop a bigger understanding on the role of practice in business creation process by following the creation process of a wine merchant company. The reason to research this topic was because there are many opinions whether theory or practice have bigger role in business creation phenomenon and we found it interesting to see what factors as the experience or the knowledge related to entrepreneur's impulse of starting a business play a bigger role.



We questioned in the frame of reference the relation between theory and practice (Jarzabkowski and Whittington, 2008). The result of this research shows that both practice and theory play a significant role when an entrepreneur wants to establish a company. In this situation, on the basis of the interviews, we found that practice plays an important role in running a business. We have seen that the theory is a model that helps entrepreneurs to have strong idea about what to expect and what to do about the business creation. And that the practice is more focused on specific cases and entrepreneurial abilities to manage the irregularity of the practice. The theory as a model cannot encompass the uniqueness of the practice because the theory has to be general and cannot goes into details. The practice cannot use all the theoretical model due to its differences. We have defined the business creation process through the most important steps and have identified the role of each step. Then we have confronted the literature with the case study to show the differences. We found out that the experience and knowledge about the industry help the entrepreneur to adapt his business idea to the chaotic reality of the practice, and that industry actors thanks to their background use different paths that the one defined by the literature concerning the business creation. We found out that the experienced actors have a real advantages in their industry on the others entrepreneurs concerning the business creation. The network, the social environment, and the knowledge give them an efficacy compare to the beginner entrepreneurs.

We wonder if a company created with specialist of an industry is supposed to be better managed or better created than a company created by any other entrepreneurs. This question seems interesting in the sense that if specialists are better in their industry, how start-ups without big budget and real credibility can hope to face them or even how can we explain that start-ups become leader of an industry. These questions could be another subject of analysis in business creation process, especially because it would bring a new look on the entrepreneurship and the role of the start-up in their industry.

## **6 Implications**

This report sheds a light on how business creation process takes place in theory and in practice. This report is limited to the specific case of a wine merchant company creation and do not make any generality from this case study, however we can give implications based on the findings of this research.

Many researchers when writing about business creation write about the entrepreneur and his/her abilities to recognize the idea, to analyze his/her market, to make feasibility analysis and write business model, but none write about him/her as a thinking person. As a person who knows what he/she is doing because he/she evolves in a familiar environment, which gave him/her the business idea. The entrepreneur can be someone who exactly knows what he/she is doing and the vision of “taking on the risk” for him/her is not that important because he/she knows what he/she bets.

We have the feeling when we read articles from Grant, Gartner or Jarzabkowski that they write about entrepreneur (a person which is able to recognize opportunity) but they do not trust him/her to succeed with his/her business idea. We have the impression that for the authors this is really hard to be able to concrete an opportunity in successful business idea. And on this point we disagree with them.

The owners of Wine Essence have created the wine merchant company because they found an opportunity that gave them the possibility to launch the venture. And as we have seen during the interviews that they did not respect or follow the business creation steps as it is defined in the literature by the authors. However, the company is created and works properly, the owners cannot speak about viability for the moment because they have to wait three years to know if a venture is viable or not but they succeed. As entrepreneurs, they have recognized an opportunity and used it as a business idea.

This is why we recommend to the future entrepreneurs to “take on the risk” even if they are worried about the feasibility analysis, or the business model, they have to realize that there are always doubts and fears but if the opportunity is worth it, it will work with a good preparation.

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# Appendix

## Interview Wine Essence Entrepreneurs

We have interviewed each of the three entrepreneurs of Wine Essence in order to understand how they have perceived the business creation process from the inside company perspective. We have asked series of question concerning their wishes to create a company, the difficulties they have met, the steps they have followed, and if they are satisfied with the creation. We consider that the interviews were important steps in the analysis of the company to understand the relation between he theory and the practice but also to have different point of view about the business creation process. The interviews help us to generate an idea about the specific case of Wine Essence business creation process, and to understand which fields of activity interact with this process. The results of the interviews show us that many areas take part in the process such as the social network, the level of education, the knowledge of the market and the own experience of the entrepreneurs.

Now, we are going to explain the questions we have asked the entrepreneurs of Wine Essence. We have led the interview in four parts, the presentation of the entrepreneur, the creation of the company, the problem encountered and the results.

- **The presentation:** in order to identify the personality and the entrepreneur we interviewed, we asked few questions about him and his background. These questions helped us to define a framework around the entrepreneur to understand his background about entrepreneurship and to understand his qualifications and his vision.
- **The business creation process:** in order to understand how the entrepreneur has seen the business creation process, we asked him many questions about the process itself and how he managed it. These questions about the business creation process explain us how the entrepreneur realized the creation, in which conditions and with which tools were used. This part of the interview helps us to define the framework of the business creation process and shows us what the entrepreneur have done to create his company in practice. We asked him about the entrepreneurship theory to know if he used any of the concept described by the literature (steps, feasibility analysis, etc)

and to be able to define the place of the theory in this business creation process in practice.

- **The problems encountered in the process:** in order to understand how the entrepreneur has solved the problems he has met during the business creation process. Also, to have his vision about the difficulties of such a creation process in practice, to be able to identify the difference between the theoretical problem and the practical ones. It gave us the opportunity to determine the main gaps between theory and practice. Thanks to the part of the interview, we have defined the main gaps between theory and practice, by identifying the main problems in the business creation process. This part shows us a new face of the business creation process, through practical problem that the theory does not consider as pitfalls.
- **The results:** this last part helped us to finish the interview by asking for some tips about business creation process to the entrepreneur in order to avoid the mistakes he has done in creating Wine Essence. This part shows us the end of the business creation process and the beginning of the start-up of a company. It gives us the opportunity to conclude our analysis about the creation which is now a start-up and not a creation process anymore.

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**Presentation : Guillaume Gerchenzon, François Borde, Quentin Laurenjoye**

What are your qualifications?

I have a Master degree in international business.

License in Biology, DNO (Oenology National Diploma), Master Vineyard Management.

I have a BTS Winemaking/Oenology and a license Quality and Environment.

Do you have a background in entrepreneurship?

Yes, through my studies, I have different courses which approached the field of entrepreneurship. And in general my studies were oriented toward business and entrepreneurship.

Yes but just a few hours of courses because my Mater was more about management than entrepreneurship.

No not particularly, I have knowledge in organization, administration and management.

What are your main strengths as an entrepreneur in the wine industry?

I know the wine industry in France and abroad because I have already worked in this sector as salesman in Bordeaux and as a wine merchant in London. I have specific knowledge about the wine itself and the way to do it. And I know many people working in this industry, winemakers, salesmen, wine merchant, etc.

The Know-how of the winemaking, wine tasting, a big social network, and native form Bordeaux.

A specific knowledge of the wine industry and the regional products, and technical knowledge which give me the possibility to answer concretely to the customers.

Do you know any theory steps about the business creation process?

Yes because I've studied business creation during my master in Jönköping and as I've said previously, my previous degrees were about entrepreneurship and international business.

No, I guess more the steps than really know them thanks to the basic course I had during my Master.

Not really I follow my colleague on this point but I guess they do.

## **The Business Creation Process**

Why did you create your company?

We had an opportunity through a friend who is not working in the wine industry, but in the restoration. He asked us were he can find wine for a specific market. Then the idea became an opportunity and we have created the company.

It was first an interesting experience, challenge to create something by ourselves and also because we are interested in this sector and we wanted to face the competitors.

We have an opportunity to answer to a contact. And Guillaume already told me that we should create a company, and I agree with him because we have a lot of contact and we know well the industry.

Have you ever created a company before Wine Essence?

No, never. It was the first time.

No, it was the first time.

No, never.

Do you think your background/qualifications helped you to create the company?

Yes I think it helps to have commercial knowledge when you want to create a company but to make a direct link between my background and the business creation, I am not sure it is really related.

Yes for all the legislative part on the wine and the accounting field but not in the business creation process itself. It was more a discovery of the process.

Not really for the business creation but for the management of the tasks yes.

Did you use any literature theories on entrepreneurship to help you with the business creation process?

No, I didn't. I've just asked people around me but we have created the company by ourselves.

No, I didn't even think about it, I thought to do it by ourselves. But if we had checked the literature the business creation process could be easier for us.

No it is not really important because there is already a lot of information on the subject. We have used more our contacts and personal network created during our studies than the studies itself.

Did someone outside the company help you with the Business Creation Process? Why?

Yes a jurist, to know about all the procedures to create the file when you want to register the company to the "Chambre de Commerce" and then an accountant to create the financial part of the company, because we didn't have enough knowledge on this areas.

Yes the jurist, but otherwise we have done everything by ourselves, with still the idea of challenge and doing something lonely.

As I just told you, we have used our social network, and that's all.

Did you follow some steps in the business creation process? Why?

Not really, it was a bit messy and we didn't really follow a plan. We have followed the procedures more than a real plan. So step by step but more legal than concrete.

The same!

For the moment not really, but we have made some meeting to discuss about the corporate strategy, but at the beginning we were more focusing on finding partnership with Châteaux for instance.

Did you make any research before to create the company? Why?

No, because the opportunity was there, and we didn't need to make a market analysis to understand that it was viable for a company.

No, because we wanted to focus on niche market and opportunities that we had rather than directly attack the market in a wide way.

No as I told you a lot of people are already aware of the business creation in the wine industry, so we've just followed the move, and jump the step.

## **The encountered problems**

Did you go through any problem during the business creation process?

Yes we have met some problems, for example the status of in the "K-bis" for the amount of money invests in the company, the type of the company we wanted to create. The date when you can really start the business, because you have to wait to be registered when you know that the opportunity is not waiting for you.

The French administration is very slow, and the difficulty of all the declaration you need to do to create the company. The biggest difficulty is to think about everything you want to do.

The administration is not clear concerning the forms to fill, especially for the custom. The activity of buying-selling wine is not really readable and clear on the regulatory aspects.

How did you solve the problem you have met?

A lot of patience and then many contacts which helped us to go through the perturbation.

By facing them and staying persistent.

Research on the subject, asking professionals, and patience.



Do you think that the literature or your qualification on this subject could help you to avoid them?

No I don't think so because then it is a problem of organization and structure. I think that no university teach you how to behave with the incompetent person working with the government.

No, because this is not the same area of action. You can just cope with these problem when you met them.

No, because it is specific to this industry.

Do you think the theory about entrepreneurship prepare you to face these problems? Why?

I don't think so. We say "in theory..." so it means that when you apply the theory the results are different, especially in business. There are too many factors that take part in the process that you never thought before to be face to them.

I think it can help to avoid some but the other part cannot be surpassed just with literature about entrepreneurship, because this is the path to create a company in France.

No one more time this is particular problem to the wine industry, if you are aware of it, everything is fine.

## **The results**

Are you satisfied with your creation? Why?

Yes, but then we still have a lot of work to do. The business creation is just the beginning of the adventure. Then we have to be profitable and take some market share to our competitors.

Satisfied about the creation but the hardest is coming. Some disappointments concerning the timing of the creation and the opportunities we had.

Yes but it is not finish.

Are you able now to recommend any business creation process?

Not really. I can speak about the wine industry but then it depends on the resources of the entrepreneurs and what they want to achieve. But in general, I don't think I am able to make or to recommend a business creation process.

No I don't think so. I can explain the steps we were going through but I think this is specific to every company. Then we didn't make any studies because we were in a hurry to answer as fast as we can to the opportunities we had. We have an experience which is completely different from the theory.

No but as we have done for the business creation, now I will be able to give some tips about it!

Which advices could you give to the future entrepreneurs?

To be organize, to know where they want to go, and to be patient. Because most of time we want to be fast and then we miss some details which can make the difference later.

I recommend them to try this challenge because this is a very interesting experience and try to meet entrepreneurs who have already created a company in the same sector or industry. And maybe use more than us the literature, and never give up.