

# Transnational Lifestyle Entrepreneurs in the Wild West: A case study on Playa Gigante, Nicaragua

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## **Transnational Lifestyle Entrepreneurs in the Wild West**

*A case study on Playa Gigante, Nicaragua*

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## **Introduction**

While social entrepreneurs and high-growth, high-risk ventures are catching the eyes of the youth, it is lifestyle entrepreneurs that are catching the eyes of the politicians. The business models used by lifestyle entrepreneurs require very little movement of resources, very few employees and tend not to expand. All of these factors are critical for maintaining a healthy macro and micro level economy.

A lifestyle entrepreneur focuses more on the life rewards within the context of people that enjoy and have a passion for what they are doing. Intrinsic satisfaction is of greater value than extrinsic rewards (Rodriguez, 2010). Reasons for choosing to become a lifestyle entrepreneur are vast, but the underlying difference in lifestyle entrepreneurs compared to other types of entrepreneurs is that **passion** is placed before profit. That is to say intrinsic satisfaction is greater than extrinsic rewards (Rodriguez, 2010). With passion as a priority, lifestyle entrepreneurs are more likely to create ventures that are unlikely to generate economic returns large enough to interest outside investors (Sullivan, 2007).

## **Aim and Objectives**

The aim of this research is to discover the strategies of lifestyle entrepreneurs operating in potentially hostile environments, characterized by scarce resources, an uneducated labor force, corruption, lack of infrastructure (roads, hospitals, police, fire, water and waste disposal), lack of formal institutions, lack of a local customer base, scarce technology access and an abundance of tropical diseases. Given the Wild West context, the research question inspiring the research is, how do lifestyle entrepreneurs create and sustain viable ventures while maintaining their way of life? Supporting objectives were:

- a) to explore the contextual factors impacting entrepreneurs in Playa Gigante, Nicaragua
- b) to explore the realities of creating lifestyle ventures in Playa Gigante and the self-imposed limitations of venture growth the entrepreneurs operate within.
- c) to investigate and establish the active coping strategies developed by the entrepreneurs

- d) to inductively discover theories and practices to better prepare lifestyle entrepreneurs in developing economies for the future.

### **Theoretical Framework**

The premise of this study is lifestyle entrepreneurship theory, along with Sarasvathy's (2008) effectuation logic process. Effectuation logic looks at entrepreneurs' thought processes and actions. It is logic, not just theory. While others yield and plan, effectuating entrepreneurs press forward. They trek on and actively explore in a holistic manner the dynamics of the venture's environment. They examine all the possible opportunities with an open mind and without prejudice. The logic is a process, an action, thus a verb. Within a world of uncertainty, effectuation logic is a process that all entrepreneurs operating within a harsh entrepreneurial context should be able to grasp. It is a creative process, much like the creation of a quilt. It requires gathering the experience of intrinsic and extrinsic opportunities and patching together the positives of each to build a unique and personally rewarding venture over time (Sarasvathy, 2008).

### **Methodology**

Through a grounded theory approach, eight transnational cases were explored over a three month period. Surveys, interviews and observations were gathered while participating in their daily lives. Data were coded and sorted in line with Strauss and Corbin's grounded theory approach (1990). After gathering data and outside of Nicaragua, an unstructured interview took place with a Nicaraguan entrepreneurial expert. Through triangulation of data points, 38 critical concepts were grouped into 4 major categories. The 4 categories developed the foundation to systematically find the solution to the aim and objectives of the study.

### **Findings**

The analysis of Playa Gigante highlights the lack of supportive infrastructures and formal tools needed for starting a business in Playa Gigante. However, the entrepreneurs of this region display a uniform set of traits that have been applied to successfully debunk those hurdles. It is important to note that all the cases demonstrated the utilization of Sarasvathy's effectuation logic without any prior knowledge to the logic's theoretical existence. Local networks, knowledge and

experience key stoned their opportunities and abilities to create a balance between a successful business venture and personal lifestyle preferences.

A key finding in the analysis was the lack of trust that all entrepreneurs expressed with governmental regulations and officials. The high level of corruption entrepreneurs experienced everyday was one of many external forces that threatened their creativity and success. With this lack of support in a developing region, the lifestyle entrepreneurs developed behaviors similar to the effectual logic suggested by Saravathsy to provide for their families and the local community.

Despite harsh economic environments, these cases have succeeded and followed in the footsteps of pioneering entrepreneurs who risked relocating to newly discovered lands to pursue and build a venture. The findings of this study will aide future entrepreneurial pioneers as they seek to start a new business in a developing region.

### **Conclusions**

The research of this study shows that entrepreneurial ventures in Playa Gigante are financially sustainable. This diverse set of entrepreneurs developed coping strategies similar to those suggested by Dr. Sarasvathy. Their businesses thrive, and so do their personal lives. Could effectuation logic be a critical process needed to ensure success for lifestyle entrepreneurs in developing regions like Nicaragua and around the world?

**Key Words:** Transnational, Lifestyle Entrepreneurship, Wild West, Developing Economies, Entrepreneurial Traits, International Business Ventures, Effectuation Logic



## 1. Introduction

### 1.1 Lifestyle Entrepreneurs in Playa Gigante, Nicaragua

On the Pacific Coast in Central America lays a bay that is perfectly angled for summer sunsets. Not more than fifteen kilometers down the coast line to the South, the twentieth-first and twenty-second seasons of CBS's reality show *Survivor* were filmed. This remote bay is connected by one road to the nearest municipality that is over twenty kilometers away, and takes more than thirty minutes to reach. The only road into town floods after heavy rain, remains unpaved and is extremely worn down by ox carts and supply trucks. A limited supply of water and electricity is provided to the beach area. Because of this, utilities are supported by private individual electric generators and bottled water that can be trucked in once a week. Around three hundred annual residents comprised of North American entrepreneurs and local Nicaraguans who make a living from the sea and tourism call this bay home. During the year up to forty tourists a week pass by to experience some of the world's best surfing and warm weather. A handful of others come by to fish for Red Snapper or use the bay as a check-point on their Pan-American Highway trek.

Where the rough dirt road from the nearby city of Tola ends at the bay sits a village called Playa Gigante. Uninhabited until 1978, Playa Gigante has become a successful village pillared by adventurous and athletic entrepreneurs from North America (Interview with Dagger, 2010). The community is solely dependent on these nascent lifestyle entrepreneurs. They operate within an environment that is no more than a thousand meters long from South to North and no more than one hundred meters from the beach during low tide to the edge of the rainforest (Nicaragua: environmental profile). "Playa Gigante would have to face harsh geological terrain to expand" Explained one of Playa Gigante's lifestyle entrepreneurs (C3, 2010). Tourists from around the world come to Playa Gigante for the peaceful retreat from the hectic city life; to surf and swim in some the world's most consistent waves. All of the businesses in Playa Gigante are supported by the tourism industry. Restaurants, hostels and surf camps allow travelers to visit the bay whenever they like.

These businesses were established by entrepreneurs in order to sustain their unique and simple lifestyles. Having found a method to ensure personal income by creating small businesses based on expertise, networks, and understanding, these entrepreneurs leverage their surroundings. The

remote and harsh terrain limits maximum customer potential and stable infrastructure, yet they work hard every day to support their way of life and enjoy it.

In today's society individuals strive to maintain a healthy balance between their personal and professional lives (Shamir and Salomon, 1985; Duff, 2009). Evidence shows that those seeking this balance find the best solution is to work from home (Black, 2005; Marcketti et al, 2006). The trend of working from home is on the rise (Shamir and Salomon, 1985; Duff, 2009). Individuals are now telecommuting for a firm or using their home as an office for their entrepreneurial ventures (Shamir and Salomon, 1985). Entrepreneurs in Playa Gigante, if included in those studies, would be among those seeking to use their home as their business. All entrepreneurs, from restaurant owners to surf camp directors live on site. Their bedroom, office, and sometimes the living rooms where customers dined are separated by a mere blanket.

As one of the cases mentioned, "We have accomplished the American dream, in Nicaragua. We work from home; we provide for ourselves, our family and support the community. We're safe and able enjoy the simple things. We sacrifice living in a large modern community for the developing world. We gain more than we sacrifice." (C3, 2010)

## **1.2 Background, Purpose and Importance of Study**

In the autumn of 2009 two entrepreneurs from Playa Gigante visited Helsinki. They lectured on the unique variables under which they operated in Nicaragua in the graduate class *Recognizing Entrepreneurial Opportunities*. These entrepreneurs had limited college level education and no scientific explanation of how their fellow nascent entrepreneurs were succeeding in the modern Wild West environment of Playa Gigante. After they presented their story to the entrepreneurial students no explanation was offered to their success. This gap of understanding is reduced by the completion of this study through an on-site study.

Grounded theory field research was conducted from late May to early August of 2010. The purpose was to find answers and gain a better understanding of lifestyle entrepreneurs in order to advance the knowledge of entrepreneurial research. The research question below was formulated to allow for a finite study of the conditions to give a better understanding of lifestyle entrepreneurs. The purpose of the study was to contribute current data to the ongoing discussion between entrepreneurial scholars. While conducting the theoretical framework, it was found that

this study had significant purpose, as since the fall of the Soviet Union, there has been little research into the operation of lifestyle entrepreneurs in harsh environments. In order to better assist and educate future lifestyle entrepreneurs in their ventures, should they decide to exploit niches in volatile environments, the author created a study holistic enough as so not to be out dated or too narrow to apply to any environment that could be labeled as the Wild West.

### **1.3 Aim and Objectives**

The driving aim of this research is to discover current facts and traits of lifestyle entrepreneurs operating in potentially hostile business environments with scarce resources, an uneducated labor force, vast corruption, lack of infrastructure (roads, hospitals, police, fire, water and waste disposal), lack of formal institutions, lack of a local customer base, scarce technology access and an abundance of tropical diseases. Then to take that chaotic unsupportive business context and help entrepreneurs understand and better problem solve given those components.

Supporting objectives were:

- a) to explore the contextual factors impacting entrepreneurs in Playa Gigante, Nicaragua
- b) to investigate and establish the active coping strategies developed by the entrepreneurs in a potentially unsupportive business environment of modern day Nicaragua.
- c) to explore the realities of creating lifestyle ventures in Playa Gigante and the self-imposed limitations of venture growth the entrepreneurs operate within.
- d) to inductively discover theories and practices to better prepare lifestyle entrepreneurs for the future.

### **1.4 Research Question**

How do lifestyle entrepreneurs create and sustain viable ventures while maintaining their way of life?

This study is based upon the idea that its findings could be used to further the knowledge of how entrepreneurs succeed in potentially hostile environments. The study was conducted on the beach Playa Gigante, in Nicaragua during daily embedded investigations over a three months' period.

The research question was formulated to allow a more holistic study to be accomplished. It is not the intent of the study to examine the finite methods of entrepreneurs to gain access to a particular market or to examine where lifestyle entrepreneurs operate. This question was posed in order to investigate the How aspect of the topic. Previous research on entrepreneurial ventures in developing regions seems to have focus on the Why (Tybout, 2000) and the What (El-Namaki, 1988) questions addressing the growth, social and green arenas while missing the less profitable but just as innovative lifestyle entrepreneurs. The final results of the study are hoped to give researchers an accurate understanding of how lifestyle entrepreneurs create viable ventures while maintaining their way of life. The Wild West of Nicaragua was used for context as it is an environment void of governmental regulations, a predetermined market base, vast resources such land, materials, water, electricity and entrepreneurial support. The Wild West is used here to describe a business operating environment similar to a vacuum, an area void of start-up help and other legal support. Within this vacuum all entrepreneurs start, operate and grow (or die) under the same constraints.

### **1.5 Research Limitations**

Studying entrepreneurs in a harsh environment limits the study in detective ways. Of these issues, a particular few will create a bias on the data. First, the study is conducted in one geographic area, Playa Gigante, Nicaragua. Lifestyle entrepreneurs operating outside of this environment could face unique circumstances that were not prevalent in Nicaragua. Second, they could also utilize certain resources that are not available to the entrepreneurs in Nicaragua such as small business centers, experts and courses to operate a local business. They would also have a varied tax structure and legal issues with which to contend. Third, the study was conducted over the summer of 2010. Findings produce a snapshot of the current environment. In order to identify a trend and a more useful contribution to the field of science, the entrepreneurs will have to be studied the coming years for contrast. The data will be able to show us as of the summer of 2010 how they are able to sustain their lifestyle given the unique context under which they operate.

To reduce the affects of the limitation, a wide range of data on the cases was gathered to build the most accurate picture of the context its elements and the people involved in this research.

## **1.6 Structure**

This study will continue in the following order. Following the introduction chapter will be a summary of the context in which the study was undertaken. After the context chapter, a theoretical framework will be presented. The methodology chapter follows the theoretical framework. The case studies will be defined and then examined in the following empirical chapter. Results and findings will be discussed preceding the case descriptions. The research project will end with final thoughts and suggestions for further research.

## 2. Context

Within the context section a holistic snapshot of the environment of this research will be presented. This study has been undertaken with the aim and objectives to identify a method or a process by which the entrepreneurs can manage to start and develop a business in a potentially hostile environment and examine their coping strategies. Lessons learned by entrepreneurs can in return balance, negate or even utilize the affects of operating in the Wild West alongside their unique entrepreneurial background and skills. The contextual chapter will describe the environment within which the entrepreneurs are operating; introducing and defining the metaphor of the Wild West and exploring key traits particular to this study and current theories on operating within the harsh context.

### 2.1 Playa Gigante, Nicaragua

The beach of Playa Gigante, as seen in Figure 2.1 is circled in black is located in Southern Nicaragua.

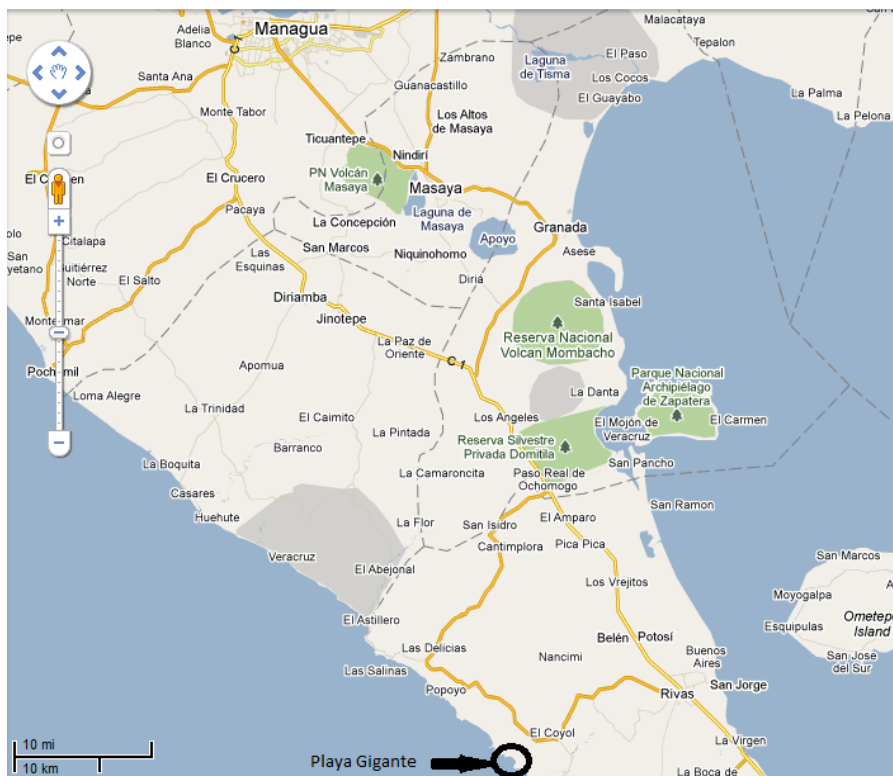


Figure 2.1 Map showing Playa Gigante, Nicaragua (accessed from Google Maps, February 19, 2011).

### **2.1.1 Logistics**

Situated from any main roads, it is advised to drive a sports utility vehicle to and around the village. A dirt road hardly allows access to heavy duty construction and supply trucks. One older road which has been washed away in floods was built in the early 1980s (Interview with Dagger, 2010). The one surviving road connects the village to the small town of Tola. Tola can be reached in thirty minutes depending on weather conditions. From Tola, the city of Rivas, population of 40,000, can be accessed in another twenty minutes.

While being interviewed during the summer of 2010 one of the cases, C6, stated, “If the weather has been stable for a few days, and you’re lucky not to be stopped by police officers looking for a bribe, you can get to Rivas in under an hour.” The capitol of Nicaragua, Managua, can be reached in just over three hours. Costa Rica can be accessed through Rivas in under an hour. The Pan American Highway runs through Rivas. The one road into Playa Gigante can be rendered impossible to drive after continuous rainfall lasting more than a couple of days. This happened three times during the field study, which was in the middle of their rainy season. The rainy season is peak tourist season.

Playa Gigante is a beach village which can be seen below. The picture is taken from atop a hill named The Foot (looking North), shaped like’s a giant’s foot, indicating where the beach receives its name.



Figure 2.2 Playa Gigante, Nicaragua.

The entire beach from North to South is around one kilometer long. Entrepreneurs utilize around six hundred meters of this for their ventures. During low tide, the edge of the water to the beginning of the rainforest is around one hundred meters. Estuaries, rivers and hills surround the village completely. While the North part of the beach has been developed over the past thirty years, the South side has been untouched. The single road from Tola bisects the middle of the village and creates a small gathering point as seen in Figure 2.5. A smaller dirt path runs North to South allowing supply trucks, ox carts and vehicles to venture up and down the beach. Transportation around the village is accomplished mainly on foot, bicycle or horse.





Figure 2.3 The North end of the main road through Playa Gigante.

A picture of the small North to South road can be seen in Figures 2.3 and Figure 2.4. Cows, pigs and horses roam freely on the road along with the wild animals from the rainforest that trek down to the water front. This unique environment creates logistical problems for water and electricity. The Nicaraguan government has promised the development of infrastructure to locations such as Playa Gigante to allow reliable access to these resources, but as of 2010 they were still lacking. Therefore it has been necessary thus far for the costs of establishing access to the village to be borne by the entrepreneurs and local inhabitants. Entrepreneurs who had clients stay at their hostel or camp would have to either drive to Rivas or Managua to receive them.



Figure 2.4 South end of the main road through Playa Gigante.





Figure 2.5 The central square of Playa Gigante

### **2.1.2 Utilities/Scarcity of Resources**

Power lines do connect Playa Gigante to Tola but daily power outages range from a few minutes to the entire weekend. Owning your own power generator is critical given the extreme temperatures and requirements to keep food and clients cool. Water has also been a critical issue for entrepreneurs in the area. Digging wells has proven to be the most reliable source of water, (Interview with C4, 2010) although this carries the risk of illnesses such as Giardia. Giardia was reported twice within the research period. These risks are mitigated by widely available medications (Centers for Disease Control and Prevention, 2011). As a marketing tool, entrepreneurs have ordered bottled water to be trucked in once a week as an alternative to well water. In the dry months of January and February 2009 investments by the local entrepreneurs allowed for the installation of a water pipeline connecting Playa Gigante to a neighboring village's water main. This water, along with the sparse electricity from Tola was extremely

expensive and outside of the budget of the local inhabitants and some novice entrepreneurs. These isolated conditions did not encourage the tax collector to enforce the Nicaraguan law on these lifestyle entrepreneurs. Since the tax collector and police officers were supplying their own fuel, it was not financially sound for them to make the extreme trek to the beach.

When police assistance was required the process for having a police officer come to Playa Gigante was daunting. As explained, someone would have to drive to Rivas, locate a police officer who would be willing to drive back with them to Playa Gigante. “We would have to drive to Rivas, find a police officer willing to go to Playa Gigante; that meant we would have to provide him with something to eat and drink plus pay for his fuel back-and-forth. Given, if it was a serious crime, we wouldn’t have to bribe him with much, but the entire process from the time of the incident to arrival of the officers would be around an hour-and-a-half.” (Interview with C1,2010). That would also be the case for medical and fire responses.

Given the extreme danger of adventure sports in the open ocean, there is normally an entrepreneur around that can administer stitches, patch-up a spear gun wound or has medicine for wild animal bites on hand (Interview with C1, 2010). During the first week of field research two Norwegian tourists were involved in a vehicle accident on the main road into the village. Their sports utility vehicle rolled while attempting to navigate a dangerous curve. It is difficult to say if they would have been better off in a more developed country with such critical injuries, but that, unfortunately was not the case in this situation (Interview with C4, 2010, Interview with C8, 2010).

Access to these utilities and services are critical for entrepreneurs to ensure their adventure-seeking guests have some security and health. The lack of services and the struggle to maintain them is one of the major barriers lifestyle entrepreneurs operating within this context must contend with.

## **2.2 The Wild West Entrepreneurial Context**

### **2.2.1 The Characteristics of the Wild West**

The Wild West metaphor in this research is used to label the harsh business environment of Playa Gigante. The Wild West was originally used to identify the frontier regions of North

America during the mid-19<sup>th</sup> century until formal and legal institutions could be established and enforced. Outlaws, prospectors, entrepreneurs and adventurers migrated West into a region dominated by uncertainty (Davis, 2005). The Wild West mentality has always been a part of human nature, as human beings we are explorers. People moved to the new lands with nothing more than motivation and what they could carry on their backs, horses, wagons or now trucks. Later on, new settlers followed these trailblazers in hopes of land, wealth, and a new life. That took guts. It took innovation. It took a period of un-learning everything they had been taught in order to survive in a new environment (Rostad, 2011). The term Wild West has been used in recent research in fields such as: law (Peng, 2008), supply chain management (Barlow, 2010), Web 2.0 development (Wade, 2009), finance (Martin, 2004), human resources (Lykins, 2010), real estate (Druckman, 2005), executive coaching (Sherman and Freas, 2004), urban development (Tomlinson, 2004), credit scoring (Gambrill, 2009), e-commerce (Moss, 2001) and retail (Christman, 2007). The common focus of discussion within these articles is that the Wild West metaphor relates to an environment of uncertainty. The Wild West is symbolic to developing regions or environments where legality issues are inconsistent and the future is extremely uncertain.

In this research project The Wild West, Playa Gigante and entrepreneurship will be connected by the theories and characteristics presented in Table 2.1 below.

Table 2.1 Chart displaying the Wild West Forces pertaining to Playa Gigante.

Traits, Key Terms and Theories	Reference
Community and Real Estate Development	Mead and Liedholm, 1998; Naudé, 2010; Kurronen, 2005; Anderson and Hill, 2004; Broegaard, 2009; Alston, 2005
Governmental Regulations	Jain and Pisani, 2008; Puffer et al, 2010; Tonoyan, 2010; Bird, 1992; Henderson, 2002; Jain and Pisani, 2008
Corruption	Tonoyan, 2010; Puffer et al, 2010; Nichter and Goldmark, 2009; Mead and Liedholm, 1998; Azmat and Samaratunge, 2009

### 2.2.2 Community and Real Estate Development

Entrepreneurship is critical for Wild West communities' development (Mead and Liedholm, 1998 and Naudé, 2010). It is critical to have a growing tax base for communities to continue providing basic services (Kurronen, 2005). Education, safety and transportation are all core pillars of a successful mature society. The government must be able to ensure those needs to attract and provide for a stable population (Kurronen, 2005).

Nicaragua is still struggling to ensure proper documentation and transaction procedures for real estate owners. Nicaragua has seen an increase in property right issues. Corruption and dishonesty with land owners, real estate lawyers and politicians are well known among researchers and potential entrepreneurs in the region (Broegaard, 2009). Property legality issues have been a strong tool for governments to control and exploit the movement and activities among people

(Anderson and Hill, 2004). The United States during the Wild West era had one of the largest and more public property ownership disputes with the Native Americans of the time (Alston, 2005). Without land, Native Americans have struggled to provide the same quality of life as those whom sided with the United States government at the time.

### **2.2.3 Governmental Regulations**

Following the definition of Tonoyan, formal institutions within this study refer to the bidding regulations and codes which have been created by governments to create a controlled economic environment. Informal institutions are referred to as traditions, unwritten rules, ethos and customs (2010). Corruption and informal institutions are more commonly found in areas where formal institutions are not being enforced (Tonoyan, 2010 and Puffer et al, 2010).

Governments which tend to have a laissez-faire or capitalistic approach naturally create Wild West business contexts as a byproduct of the governments and societies struggle to mature productively. When the government allows the population base to dictate new laws and procedures there is sometimes a gap between the first wave of settlers and a finalized working legal system (McCurdy, 1975). In the American frontier, unwritten laws were established before formal laws. These unwritten laws were referred to as gentleman's agreement or the "Code of the West". As John Wayne said, "A man's got to have a code, a creed to live by, no matter his job." (The Code of the West, 2011). Informal institutions and gaps in regulation in capitalistic environment are filled by savvy entrepreneurs (Puffer et al, 2010). Where as in Eastern or communist or more controlling environments informal institutions normally are operated by a governmental low-level pro-government official (Hanping and Fang, 2009). The economies of villages such Playa Gigante or entire regions of continents, such as the Western half of the United States prior to the 20<sup>th</sup> century, operate in a turbulent environment. These extremely unpredictable and isolated places are primitive breeding grounds for entrepreneurs (Jain and Pisani, 2008). Traditional entrepreneurial theories indicate that the greatest opportunities are found in contexts with high disequilibrium economies or segments of the economy (Jackson, 2010 and Di Gregorio, 2005). In line with that it has been suggested that businesses should rethink the opportunities that might be found in countries with higher risks (Di Gregorio, 2005).

The Wild West is an environment void of governmental regulations. Firm registration, tax compliance, labor laws and operating oversights are not considered the majority of time for small and microenterprises in the Wild West (Jain and Pisani, 2008). Depending on the amount of compliance with formal institutions, entrepreneurs not contributing to the overall tax base will also see a lack of infrastructural support (Schwarzenegger et al, 2010). Business owners gain more freedoms in business operations and retain more revenue but could sacrifice medial, fire and police support. Besides immediate safety for potential customers, transportation systems will be affected. Educational systems without support could hinder future employee competences (Jain and Pisani, 2008). A large amount of tourists are satisfied with increased taxes in developing worlds (Bird, 1992). Trends show that developing countries price and tax their tourist attractions and industries too low (Bird, 1992). Increasingly corrupt tax collectors and politicians are a leading argument into the increase of Wild West environments and lack of revenue gained from taxes (Tonoyan et al, 2010; Puffer et al, 2010; Jain and Pisani, 2008).

#### **2.2.4 Corruption**

Corruption is increasing in smaller firms that require smaller distribution channels (Nichter and Goldmark, 2009; Mead and Liedholm, 1998). More legal contracts and stakeholders increase the likelihood of being noticed by the governmental authorities and tax collectors. Corrupt tax collectors are offering cheaper and easier methods of escaping the authorities' eyes. Corruption would then be considered a direct negative result of informal institutions leading to gaps in infrastructure and economic development.



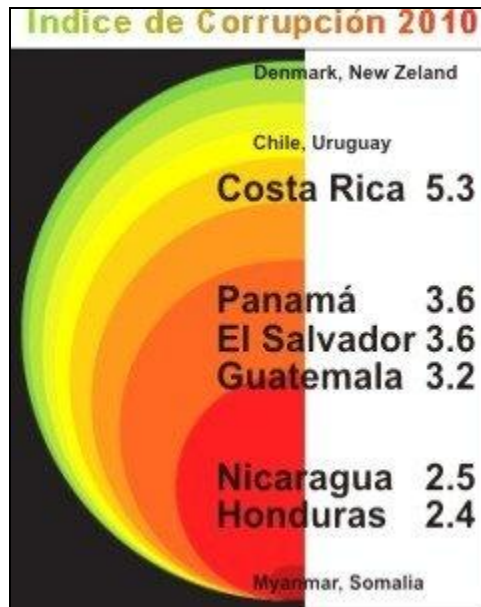


Figure 2.6 2010 Corruption Index. (Central American Governments, 2010)

As Figure 2.6 indicates, Nicaragua has been ranked among the countries with extremely high levels of corruption. The local data presented here shows how corrupt Nicaragua and other Latin American countries are. Compared New Zealand, Nicaragua is drastically more corrupt. Nicaragua, ranked 127 out of 176 countries, is one of the most corrupt countries in Central America (Transparency International, 2010). That ranking has been an improvement from the 134<sup>th</sup> place it was placed in 2008 (Transparency International, 2008). Wild West economics and entrepreneurial creativity normally meet when an entrepreneur is operating in a location that is controlled by a government that is struggling to adapt policy to ensure formal institutions are in place. To ensure the healthy growth of their endeavors entrepreneurs often turn to informal institutions when the government fails to provide the necessary institutional framework. (Azmat and Samaratunge, 2009 and Puffer et al, 2010) Nicaragua is struggling to adapt a fair and modern capitalistic economy (Interview with Patterson, 2010).

### 2.2.5 Forecasting the Wild West Entrepreneurial Environment in Nicaragua

Nicaragua has had a Wild West business environment and will remain so for at least another ten years. The country is struggling to avoid another civil war (The PRS Group, Inc, 2010). With Nicaragua facing uncertain political times ahead, the entrepreneurial context will continue to face similar uncertainties (Interview with Patterson, 2010). Given the current economic sense,

entrepreneurship is critical for survival. Where as in the United States, being an entrepreneur is an option, a career path, in Nicaragua there are no large companies hiring so people need to sell whatever they can to supply their next meal (Interview with Patterson, 2010). Political figures are avoiding the importance of small ventures which amount to a huge portion of revenue for the country's citizens and should be contributing to the tax base (Mead and Liedholm, 1998).

Corruption in Nicaragua is still drastically high and informally accepted (Interview with Patterson, 2010). Tax collectors are among the worse corrupt officials (Bird, 1992). Access to resources and markets are not matching the increasing speed of globalization (Kurronen, 2005 and D'Haese et al, 2008). The lack of enforcing formal institutional codes will decrease the country's future GDP (Henderson, 2002). Even if immediate action is taken now, it will still take a decade or more to effectively monitor the rural economies such as Playa Gigante in Nicaragua (Interview with Patterson, 2010). In the opinion of Nicaraguan entrepreneurial experts, the future is bleak for economic improvement. The focus for current politicians is to improve their image by supporting the social system and their own well-being (Interview with Patterson, 2010 and Broegaard, 2009). Where there is improvements in investment seem to be in large gated communities established by foreign nationals (Interview with Patterson, 2010). Besides the corruption, Nicaragua is relatively safe. The continuation of a Wild West business context with the reassurance of safety should attract lifestyle entrepreneurs to the region (Mean and Liedholm, 1998).

### **2.2.6 Gaps in Understanding and Operating in the Wild West Context**

Critical aspects of developing economies have been identified over the past century. The modern high growth economies of the United States of America and Europe have grown out of smaller isolated rural economies. Their struggle over political instability, historical corruption and lack of insight to the importance of entrepreneurship has shown results in their increased GDP (Puffer et al, 2010). With scholars learning from historic economies such as Western Europe and the recent transformation of Eastern European economies there should be greater understanding, but also learning from third world areas such as Nicaragua. Although there has been ample time and situations to study developing regions it has been passed over to study more dynamic high growth regions. Entrepreneurship in developing economies has been claimed by scholars as the most understudied important global economic phenomenon (Lingelbach, 2010).

### **3. Theoretical Framework**

#### **3.1 Introduction**

The theoretical framework will develop a holistic and current view of the paradigms which directly affect this study. The review will discuss the two major theories. The most critical of those theories is lifestyle entrepreneurship. Lifestyle entrepreneurship will be discussed first to allow the reader a better understanding of the term and where to position the entrepreneur in the current economy.

There is evidence that the general public, politicians and scholars alike have not filled the gaps in our knowledge of lifestyle entrepreneurs. Due to this, there will be a section related to the gaps in knowledge so the reader can better understand the intent of this project. Following the lifestyle entrepreneurship section will be a section relating to effectuation logic. The research question should then be answered by linking traits and actions of the entrepreneurs in the Wild West context with the findings of the data and the research presented the theoretical framework.

Lifestyle entrepreneurs will be introduced prior to the effectuation logic section. Effectuation logic was discovered to be the critical connection between lifestyle entrepreneurs who operate in the Wild West context of Playa Gigante, Nicaragua. A holistic review of the logic will be presented so that the reader can better review the empirical data against the logic to confirm its importance.

#### **3.2 Lifestyle Entrepreneurship**

Lifestyle entrepreneurship is defined by Rodriquez in that the reasons for choosing to become a lifestyle entrepreneur are vast, but the underlining difference in lifestyle entrepreneurs compared to other types of entrepreneurs is that **passion** is placed before profit - that is to say intrinsic satisfaction is greater than extrinsic rewards (2010). Lifestyle entrepreneurs are unlikely to generate economic returns large enough to interest outside investors (Sullivan, 2007). Based on these definitions, lifestyle entrepreneurs are contrasted to growth entrepreneurs.

Lifestyle entrepreneurs come from every demographic. There are no age limits, gender issues, or cultural barriers, other than local political regulation for lifestyle entrepreneurs. A lifestyle entrepreneur's greatest asset is passion. While passion is listed among the main drivers for most

entrepreneurs, lifestyle entrepreneurs place it before profits (Prince, 2009). Lifestyle entrepreneurs know that anyone at any time could enter their exact market (Henrick, 2002). Starting a venture is about facing uncertainty. Economist Knight, of the early 20<sup>th</sup> century has been noted among many scholars as the father of understanding uncertainty. Lifestyle entrepreneurs look at uncertainty as an opportunity (Henrick, 2002). Although the ventures are not built to expand, the daily lives of lifestyle entrepreneurs are more relaxing than profit seeking companies (Sullivan, 2007).

### **3.2.1 History and Development of Lifestyle Entrepreneurs**

Lifestyle entrepreneurship was first coined in 1987 by William Wetzel (Shall, 2010). Entrepreneurship in its entirety has been known and studied for centuries, as far back as the 17<sup>th</sup> and 18<sup>th</sup> centuries with Adam Smith (Adam Smith, 2010) and Jean-Baptiste Say in the 19<sup>th</sup> century (Jean-Baptiste Say, 2008). It was not until the mid-1970's that scholars such as Frederick Webster in the United States began to separate entrepreneurs into different classifications and types (Webster, 1976). Besides classification and types of entrepreneurs, country context (Welter and Lasch, 2008), the dynamic process of becoming an entrepreneur (Kyrö et al, 2009) and traits (Down and Warren, 2008) have been studied to advance the scientific field of research in entrepreneurship.

Lifestyle entrepreneurs have been historically drawn to tourism industry careers and rural settings (Dalglish, 2008). The tourism industry allows for the entrepreneur to work in mobile environments, while at the same time allowing business owners to maintain a low level of perishable inventory (Ateljevi and Page, 2010; Poole, 2010). Lifestyle entrepreneurs who work outside of the tour industry find themselves somehow linked with the tourism industry or within web development. Those two fields may seem distinctive at first but the underlying connection is found in the needs they satisfy. Each industry, tour and web development is around to dispense information. Tour related businesses normally depend on the human factor to dispense the information. Web developers dispense their information to website viewers. Rural settings have had a huge impact on lifestyle entrepreneurs (Dalglish, 2008).

### 3.2.2 Current Understanding

Current public viewpoints and academic research on lifestyle entrepreneur reflect the youthful history and development the field of lifestyle entrepreneurship has enjoyed. Scientific research has been trying to better understand these unique business moguls for the past decade (Welter and Lasch, 2008). Time scales offer evidence of why the development of lifestyle entrepreneurship is a young field of research. Large scale production facilities were the interest of business scholars in prior years. They found it more important to study booming businesses such as Ford and Nike than small business owners. It was not until recently that entrepreneurship has been highlighted by scholars for its importance in sustaining growing economies (Ateljevi and Page, 2010). The president of The United States of America, Barack Obama, announced at the Presidential Summit on Entrepreneurship in 2011 that we will see an increase in entrepreneurial exchanges with more developing worlds in the near future (Whitehouse, 2011). With the combined interest from the academic and political societies, entrepreneurship should see an increase in knowledge and financial support over the next few decades (Poole, 2010).

Lifestyle entrepreneurs need that time to increase their popularity with society. While social entrepreneurs and high-growth, high-risk ventures are catching the eyes of the youth, it is lifestyle entrepreneurs that are catching the eyes of the politicians. The business models used by lifestyle entrepreneurs require very little movement of resources, very few employees and tend not to expand. All of these factors are so critical for maintaining a healthy macro-level economy that nations are concerned about the increase in these low-return and low-growth businesses. Countries such as New Zealand have been very public about their concerns with lifestyle entrepreneurs. Prime Minister Helen Clark struggled with a national concern that combined friendly business incentives with strained budgets weighed by social services. Her answer was to increase business expansion (McGinn, 2005). With so many small businesses controlled by lifestyle entrepreneurs the government has come face-to-face with a group of business owners not willing to expand (McGinn, 2005). There are those that support lifestyle entrepreneurs such as private business advocates and small business centers who praise lifestyle entrepreneurs for following their heart and not their bank account.

Recent political concerns over the productivity could be unjust. Studies over time from local financial experts and scholars have examined entrepreneurs throughout their life cycle. These

studies indicate that countries with higher levels of entrepreneurship have a stronger GDP than those with less (Henderson, 2002). Lifestyle entrepreneurs may not want to expand in the first place but their surrounding environments could also be dampening their growth potential. These developing regions could be a result of the locations' rural settings and disconnect from resources or the region is in a state of economical transformation (Henderson, 2002). Disconnection from resources is relevant among all rural entrepreneurs (Dabson, 2001). Lack of modern communications tools, natural resources, transportation lines, sufficient markets and skilled laborers continually hinder rural entrepreneurs from growing. With less access to resources the nascent entrepreneur in rural settings should find it easier to maintain their lifestyle rather than creating a high growth venture compared to those in metropolitan regions with international access and cheaper resources (Henderson, 2002).

Support for rural entrepreneurs is growing with the increase in globalization (Kurronen, 2005). Internet is increasingly becoming cheaper and more reliable. With the support of the internet, entrepreneurs can reduce logistical costs and start knowledge based firms instead of requiring physical resources to produce a product. Employees can be trained on-line creating a larger pool of applicants from which the entrepreneur hires.

With so much strife from international politicians, lifestyle entrepreneurs were trending to become scorned upon for a while if it was not for mass communications via Youtube and blogs (Dent, 1999). Small business advocates were highly concerned with economic political leaders' views on lifestyle entrepreneurs. Support in the form of acceptance has since increased in the recent decade (Dent, 1999). Entrepreneurial blogs and lifestyle entrepreneurs have been increasing the transparency of their careers to increase the awareness of their positive impact on the local environment and economics (Peters et al, 2009).

An increasing argument in favor of lifestyle entrepreneurs is their drive to succeed no matter their background. Thirty percent of entrepreneurs do not have a college education (Dent, 1999). General knowledge indicates that with very little formal training or higher education, in today's Western society, a person would likely find low-paying and less interesting jobs. Small and medium businesses are the corner stone of every strong economy in the capitalistic economy (Business Focus Group, 2007). With lifestyle entrepreneurs creating highly mobile work environments, it has been difficult to research and track their trends (Tourism and Sustainable

Rural Development, 2010; Welter and Lasch, 2008). According to the market research company Warrillow and Co., as many as ninety-percent out of roughly 20 million American small business owners appear to be motivated by lifestyle more than money (Rodriquez, 2010). Nascent business creators are finding social entrepreneurs to be contributing a lot to the current environment of society and Earth. Others are finding lifestyle entrepreneurship to be a better match for their interests (Duff, 2009). Studies show the most common time for a heart attack to occur is Monday morning between 8am-9am. 1.5 million heart attacks occur in the United States each year with 500,000 deaths (Business Focus Group, 2007). Lifestyle entrepreneurs have found a way to decrease that statistic; they avoid the morning hour work rush all together by sleeping in (C3, 2010). No matter the childhood, education or opportunities someone has had, anyone can be a lifestyle entrepreneur tomorrow.

### **3.2.3 Gaps and Limitations**

With the increase in globalization, lifestyle entrepreneurship is predicted to increase especially amongst those seeking to do it in other countries (Stone, 2007). Low budget airlines, varying property taxes and increased wealth amongst Western countries could open more doors to more entrepreneurs expanding internationally, even lifestyle entrepreneurs (Stone, 2007). Globalization is expanding at a rate in which economic scientists have failed to accurately measure. Since globalization is such a drastic influencer to entrepreneurs of today, it will be interesting to see new ventures tackle new markets.

This literature review reveals a noticeable gap in the understanding of entrepreneurs and more particularly, the understanding of lifestyle entrepreneurs. The entrepreneurs offer a strong pillar, if not the most critical aspect to an economy, but science and economists are avoiding the subject creating an even bigger gap for future researchers.

As globalization increases with the advancement in science, politics and cultures (Kurronen, 2005), lifestyle entrepreneurs better be able to adapt to the changing environments faster than the economic field of sciences can. Without researchers and economists contributing to the field of entrepreneurial science as much as to other fields, the entrepreneurs must search harder and longer to find critical knowledge. The additional energy invested to finding limited research data could be invested back into their venture as the field of entrepreneurial science increases.

### **3.3 Effectuation Logic**

#### **3.3.1 Introduction to the Effectuation Process**

The effectuation process is exciting. It's a look into the entrepreneurs' thought process. It's logic, not just a theory. While others yield and plan, effectuating entrepreneurs press on. It's trekking on and exploring what's going on within the ventures holistic environment, examining all the possible variables with an open mind and without prejudice. The logic is a process, an action, thus a verb. Within a world of guaranteed uncertainty, effectuation logic is a process that all entrepreneurs operating within a harsh entrepreneurial context should be able to grasp. This logic process is gathering intrinsic and extrinsic opportunities, and then patching the positives to build a unique venture over time, similar to a quilt (Sarasvathy, 2008). Dr. Sara Sarasvathy termed the logic after her research into the thought process of expert entrepreneurs. She found a relationship of decisions, actions and digressions between them all, effectuation logic.

Sarasvathy presented the logic in her book *Effectuation: Elements of Entrepreneurial Expertise*, published in 2008. The logic is a cognitive problem solving ability studied in scientific analyzes that entrepreneurs utilize when faced with a highly uncertain future. Personality traits and psychological conditions have been tested for decades to better understand the entrepreneur (SEA, 2010). All of these examinations were based off of causality. Causality being the common logic humans use to solve a problem (Shafer, 1998). This logic states if you can predict the future, you can control it. Effectuation is the inverse; if you can control the future, you will not need to predict it (Sarasvathy, 2008). Causal logic finds the means to a given end, a predetermined goal. Effectuation adapts different means to ever changing ends. In harsh entrepreneurial environments similar to the Wild West context presented in Chapter 2, it is impossible to have a complete understanding of the future, therefore it must be controlled. In a positivist view of the world, the effectuation process offers entrepreneurs an opportunity to control it.

#### **3.3.2 Principles of Effectuation Logic**

Effectuated entrepreneurs start their problem solving with the three W's: Who they are, Who you are, What you know and Who you know (Sarasvathy, 2008 and SEA, 2010). Taking into account the three W's, the venture will transform depending on the positive variables they can offer to



growth. As the level of knowledge continually changes, so does the product and venture. As the venture continually changes over time from the initial start-up phase to a more mature venture, certain effectuation principles have been noted by prior researchers Sara Carter and Dylan Jones-Evan (2006). In order to produce the most successful result for the entrepreneur and the product the decision process could include effectuation logic in uncertain contexts.

The first principle is beginning with the basics; self-awareness of the entrepreneur, the three W's: Who they are, Who you are, What you know and Who you know (Sarasvathy, 2008 and SEA, 2010). In this project the demographics of the "who" will be detailed in the case presentation section. What these entrepreneurs know and whom they know will also be connected as it relates to the aim and objectiveness of this project. Of all the principles of effectuation logic, this is at the core of decision making processes.

The **bird-in-hand principle** indicates instead of finding new means such as increased funding, new strategies and new methods of achieving given goals, effectuation logic emphasizes utilizing the means available to adapt the venture for growth (SEA, 2010). The argument is for entrepreneurs to use what they have at that their disposal to form a goal rather than have your goal determine what you should have.

The **affordable-loss principle** argues for investments no larger than what one can lose without major personal set-backs. 48.8 percent of ventures survive past five years as seen in Figure 3.1. In uncertain markets that are guaranteed to change, calculations based on expected returns are useless. Investing venture capitalists and loan funds are extremely risky. Risk is only compounded in Wild West conditions. Figure 3.1 on the next page shows just how difficult it is for entrepreneurial ventures to succeed over time. The data released from the New York Times represents the success rate for entrepreneurs across America in the recent years. After five years of operations their probability of being successful is dramatically lower. After all, entrepreneurship is the one career field in which failure looks good on the resume.

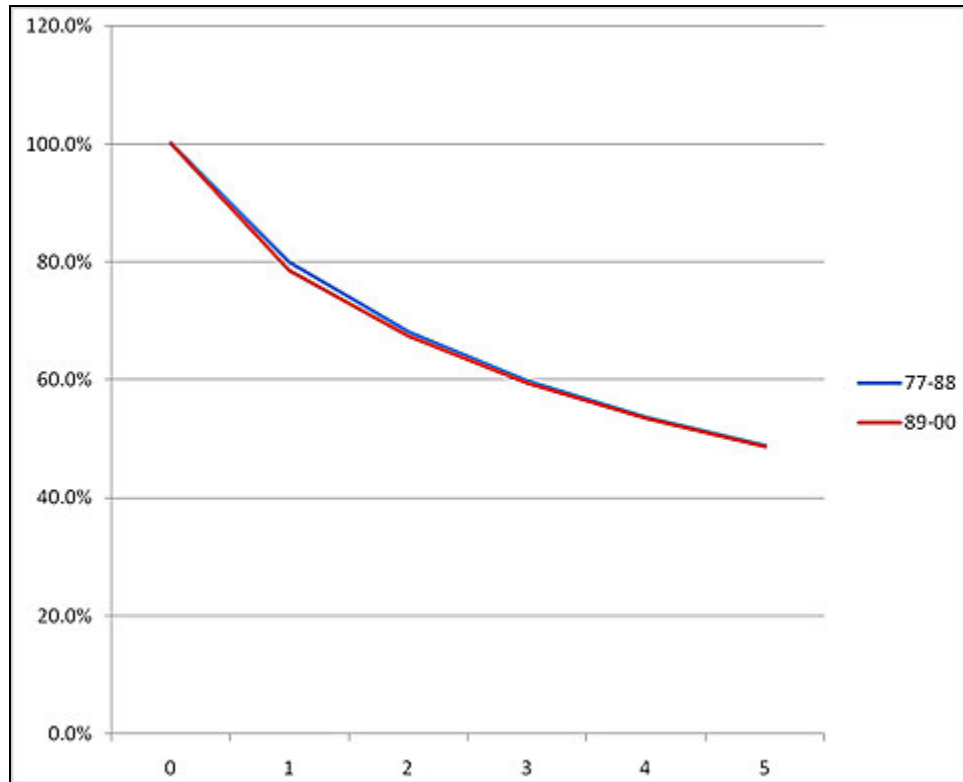


Figure 3.1 The percentage of survival over years (<http://boss.blogs.nytimes.com/2009/07/15/failure-is-a-constant-in-entrepreneurship/>, 2011).

The **crazy-quilt principle** argues the utilization of any stakeholder who is willing and able to commit successfully to the project. Worries about opportunity costs are eliminated from the thought process. New stakeholders help adapt the goals of the venture with their added tactic knowledge and resources.

The **lemonade principle** (from the common phrase “If life gives you lemons, make lemonade.”) uses surprises and changes in market activity as beneficial and useful. Kirzner’s equilibrium entrepreneurs adapt the lemonade principle in their entrepreneurial methods. Instead of spending resources to continually avoid surprises, effectuated entrepreneurs leverage them as the future and firm’s goals change.

**The pilot-in-the-plane** principle claims effectuated entrepreneurs depend on their own and the invested stakeholders’ interpretation of means to adapt goals. This idea is the inverse of depending on forecasted trends and technological trajectories to determine the firm’s goals.

The development of the venture utilizing these principles becomes a pattern of design rather than a course of action dependant on a predetermined goal. The principles allow for flexibility in market changes and stakeholder changes. The final investment into the venture is no more than what is necessary.

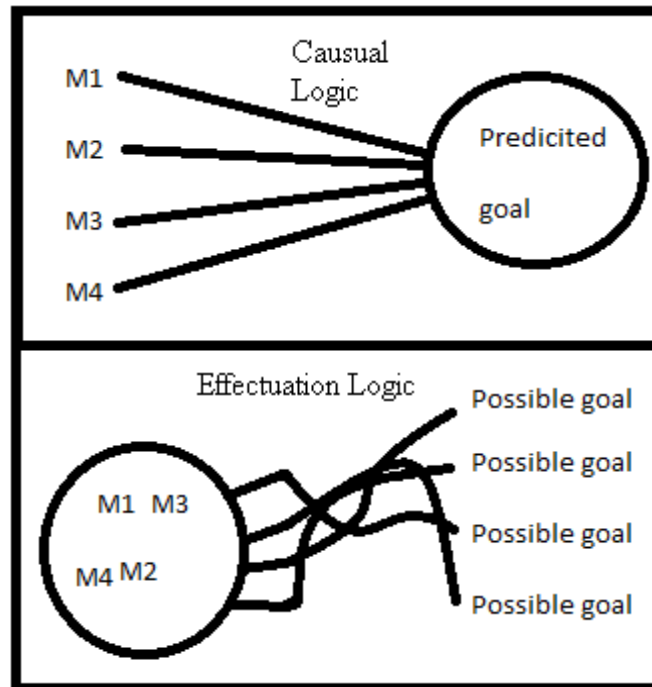


Figure 3.2 - Comparison between causal and effectuation logic (<http://www.effectuation.org/about-effectuation>, 2011).

The figure above 3.2 depicts causal logic whereas the bottom box depicts effectuation. M1-M4 represents the possible means which could be accessed to the entrepreneur and his venture. In the causal box, there are a set of means which they are carefully planned to intersect at a given goal. Along the lines to the predicted goal lays uncertainty that is unseen and uncertain. Causal logic fails, as does human ability, to accurately predict supply and demand and changes in market environment. In the effectuation box, all of the resources available to the entrepreneur at the beginning of the venture creation are grouped together. From there, the entrepreneur can fluctuate towards different possible goals depending on the stakeholders and means available.

### 3.3.3 The Effectuation Logic in Practice

In a unique metaphor, an effectuated entrepreneur and an entrepreneur utilizing causality logic is similar to a sniper and a tank on the battle field. In battle, no variable is finitely predetermined. The sniper is light weight, self-efficient, highly flexible and uses the environment around him to survive. The tank is costly thus used only when a determined goal must be achieved. Routes and methods must be calculated before the battle begins for the tank. Any change to the predetermined plan hinders the tanks ability to successively survive. Both the sniper and the tank are processes for the military can use at different phases of the war. Effectuation logic and causality logic are processes for the entrepreneurs. These tools are gained through formal education and real life experience. Dr. Sarasvathy claims that higher education such post grad programs equip entrepreneurs with a causality toolbox. MBA students are taught how to create business plans and taught the most current methods of market prediction techniques (Sarasvathy, 2008).Scholars also learn through case studies of previous entrepreneurial successes and failures to imbed them with some practical knowledge of the entrepreneurial environment. As markets change, economies raise and fall and trends change, so do academic programs in order to produce more advanced theories and entrepreneurs.

It has been argued by Sarasvathy that effectuation logic should not be the only process or logic entrepreneurs use while creating and growing the venture. A mixture of effectuation and causality logic is ideal. When faced with uncertainty it is critical to utilize effectuation. When the outcome is predictable, for example, when an entrepreneur knows the exact demand for the future, causality logic is ideal.

While most of the knowledge gained through causality logic based courses assists in building knowledge of entrepreneurship as a field of science, effectuation fills in the gaps where causality logic fails in real life markets. Theories are critical for entrepreneurs to understand so they can better position themselves as the venture is created. As the venture is launched and grows, 99% of them will discover their business plans are no longer practical. The time and resources spent of developing the business plan has been wasted (Lister, 2011 and Hughes, 2010).

Research at Babson College has indicated that there is no statistical correlation between a firm's revenue or net income predicted in the business plans studied (Lister, 2011). Success is not a

Boolean expression. Success is not always true or false in the entrepreneurial context (Sarasvathy, 2008). When faced with failure, effectuated entrepreneurs will see this as input, a change in environment and with the lemonade principle utilize the failure to adapt the firm. With the affordable-loss principle they will be better able to recover and continue the venture without being constricted to a business plan and promises guaranteed to outside investors.

Sarasvathy (2008, p.133) hypothesizes that the more resources available to novice entrepreneurs, the more causal their actions are likely to be. Prior knowledge of the entrepreneurs in Playa Gigante indicate that they are all rather novice entrepreneurs working on their first or second venture. It is also known that there are very limited resources in the Wild West.

### **3.3.4 Understanding and Gaps**

Scholars restricted to causal logic continually struggle with the how aspects of finding out the successful venture creation within the Wild West context. In a 2009 article in the *Entrepreneurial Theory and Practice* journal, Jennifer M. Sequeira and her associates explored the option of transnational entrepreneurs utilizing their personal characteristics, their social support system and products to better adapt to their new uncertain markets (Sequeira et al, 2009). Transnational entrepreneurial researchers have ventured close, but have yet to speculate that these entrepreneurs use a similar logic to effectuation. In more developed economies, entrepreneurs are growing against the traditional causality logic they learned in MBA courses. Whereas the typical tool box style education students are gaining in the class room helps entrepreneurs in the phases after the initial start-up, they are learning to avoid it in the beginning phases. Entrepreneurs are realizing that writing a business plan and forecasting break-even points based on detailed market research is counterintuitive and a waste of valuable time and resources in the start-up phase (Bennett, 2011).

As consciousness of the logic continues to grow, more researchers are applying it to their field of science. A detailed list of current research projects that utilize effectuation logic can be found at <http://effectuation.org/>. An interactive map as seen in Figure 3.3 is listed on the front page where researchers can expand their network of contacts and assist in the increased growth of the knowledge.



Figure 3.3 Current research being conducted on the logic of effectuation (SEA, 2010) (Captured March 27, 2011).

Current studies are not only being conducted by Dr. Sarasvathy. She recently teamed up with Venkataraman and explores the idea entrepreneurship as a method when dealing with human affairs (Sarasvathy and Venkataraman, 2011). The idea of adapting a process as lenses or parts of a system to better solve uncertain situations is continually being research and better understood. Another advanced look at processes shows that opportunities are introduced the entrepreneurs in varying stages of the venture. This is highlighted in a journal article on the Swedish mobile industry (Berglund, 2007). Connecting this aspect of the theoretical framework with the other is evident when we readdress the concept that lifestyle entrepreneurs utilize mobile and internet platforms to connect with customers, especially if they are located in rural or developing regions. Author Venkataraman has also teamed up with other members of the academic field and proven entrepreneurship and effectuation process adaption to problems such as environmental sustainability can create better solutions for everyone in the supply chain (York and Venkataraman, 2010). The current studies on and linking effectuation process to other aspects of entrepreneurship and the business world is expanding every day. Effectuation process is in its infancy and has a growing number of scientific researchers examining it more.

### **3.4 Theoretical Framework Conclusion**

The theoretical chapter has been focused on two major concepts: lifestyle entrepreneurs and effectuation logic. Both ideas have been coined by leading members of the entrepreneurial community. Both ideas are young, with lifestyle entrepreneurs being identified in the past few decades. As more and more researchers study the fields and start to link them to each other and, better understanding of how entrepreneurs in a given context can succeed will be found. This chapter has presented the young history of lifestyle entrepreneurs along with the related current political and scholarly aspects of the field of science. The importance of lifestyle entrepreneurship is vast for society and communities to improve. Alongside lifestyle entrepreneurs, the logic of effectuation has been studied after selective coding during the grounded theory data collection period identified it as the core coping strategy for the cases studied.

Lifestyle entrepreneurs are paving their own destiny by following their heart and pursuing a healthy balance between career and family. With the growth of globalization and technology, entrepreneurs are better equipped than previous generations. With the advancement of technology and the increase and accessibility entrepreneurs in the city and in the rural communities can work within a field they enjoy. They earn as much as they like without feeling the pressure to earn as much money as possible. They feel very little pressure from politicians and outside investors. Although there is not as much research on lifestyle entrepreneurs compared to other venture creators, there is an increase in support amongst the community themselves. They are a community relaxed and content with their choices. Without the added pressure to grow beyond their desires and with little outside assistance they depend on each other more than anyone else to help sustain their creativity and businesses. Support has been expedited alongside the number of total lifestyle entrepreneurs with the advancement of the internet and platforms such as Youtube and others.

The logic of effectuation was identified as the critical coping strategy for the cases in this study. As with the concept of lifestyle entrepreneurs, effectuation logic is in its infancy stage of development. The logic has been linked to many types of entrepreneurs, primarily expert entrepreneurs. Entrepreneurs utilize the principles of the logic to piece together their desired outcome or a solution to be deal with the high uncertain they find themselves in. As the logic of

effectuation has been rapidly growing over the past decade more research around the global is becoming available to not only other researchers but the entrepreneurs for free.

The two pillars of this chapter have been lifestyle entrepreneurs and the logic of effectuation. While both concepts are extremely new there is an increase in attention from researchers, politicians and other entrepreneurs. As attention grows, eventually there will be a better understanding of them combined together within a single context and study. Lifestyle entrepreneurs will continue to find new ways of creating a healthy balance between career and family. Researchers will continue to find new arenas to adapt the principles of effectuation logic to different entrepreneurs. Over the next few decades understanding of the two will advance to the levels currently experienced by developed fields of studies similar to marketing and accounting.



## **4. Methodology**

### **4.1 Introduction**

This project's methodology is going to be framed around a multi-case qualitative grounded theory approach and perspective to gather valid facts relating to the aim and objectives of study. Three months were spent observing eight entrepreneurs. Surveys were conducted which were distributed and completed on-site. Interviews followed the surveys. A subject expert was interviewed on site after the field research was concluded. His data is going to be presented alongside the field data. The purpose to include an expert in the subject matter was to aide in building the trustworthiness of this report and to ensure critical aspects relating to the aim and objectives of this report were being discussed. The theories found are interpretively induced through a grounded theory approach. This means the findings and results are from the survey responses and observations.

More precisely, data were collected using surveys structured and built to question the qualitative traits and actions these entrepreneurs are utilizing to operate in the harsh environments. The survey was broad enough to question different facets of entrepreneurship but was focused enough to thoroughly investigate the cases as an entrepreneurial scientist. The interviews were semi-structured as they were administered based on the survey given to the cases before the interview. Their initial written responses were expanded upon when they could verbally formulate a response to the questions. The results of the interview were filled with more robust evidence and background knowledge of why the entrepreneur was responding to the particular question in a certain fashion. Observations were noted, coded and organized throughout the field research phase of the project. Observations were conducted with the prior knowledge gained in the academic field of entrepreneurship and with the knowledge of being an entrepreneur. This is critical to mention as other observers from other fields of sciences, for example, anthropology or sociologists could induce different theories and solutions to the same research question. Research and data were recorded against prior knowledge of entrepreneurial scholars Peter Schumpeter, Keynes and Knight.

Final thoughts were induced from data that were collected via surveys, interviews and observations and then verified with another international entrepreneurial expert who had lived,

worked and taught in western Nicaragua. At the same time, the method has focused on presenting the true facts arising from the data.

## **4.2 Writing a Qualitative Study**

Qualitative research studies can be found in many variable formats. Presented in this chapter are the qualities that helped create the methodology of this project. The methodology is in line with special characteristics of qualitative research study as per Locke et al. (2004) and Yin (2009).

Granting access to enough detail in describing procedures is vital in conducting qualitative research and have been careful about relying too much on the readers' prior knowledge unless absolutely necessary. The research process and structure has been open to alternative designs and methods as well as to interpretations of data and conclusions. In qualitative studies, even more so than in quantitative, it is vital to use language which is lively in description, interesting in style and clear.

Moreover, Locke et al. (2004) continue their account on what the qualitative research study should entail by listing "machinery" the reader should consider while reading a qualitative research study. These are times, subjectivity, what does not fit in, relationships, and context. Chapter 2 of this study is a detailed review of the context. The importance of placing these results into perspective is critical as it is applied to a very small category of individuals within lifestyle entrepreneurship.

The above mentioned aspects involve human nature. In conducting the qualitative research for this study there was very little to no calculations involved. Concepts explored and discovered were induced from the findings based off my own human nature and observations. The challenges and opportunities presented with human nature observations will be discussed further in this chapter. When conducting qualitative studies it is critical to acknowledge that the theories produced are always based on the relationship between the researcher, the subjects being studied and the readers. It is the strength of that relationship that helps foster a strong foundation for scientific knowledge to be produced. Combing the dynamic relationships with the unique context has been critical in this project's qualitative methodology.

While the entrepreneurs in Playa Gigante faced challenges with in a soft system thinking approach (Yan and Yan, 2010), it became clear that approaching these cases and the study would also have to take on a soft system thinking approaching. Working from within the context of this study, there were different opportunities to learn and observe the entrepreneurs on a daily basis. Instead of observing from outside of the community and trying to decipher the data received through a grounded theory research method, it was critical to examine their instant reactions to the ever adapting environment.

Looking at the system view below we can see how embedded the study was in comparison to the components being studied. The diagram in Figure 4.1 below was produced to give an illustration for the reader to better formulate a mind map of how data were collected.

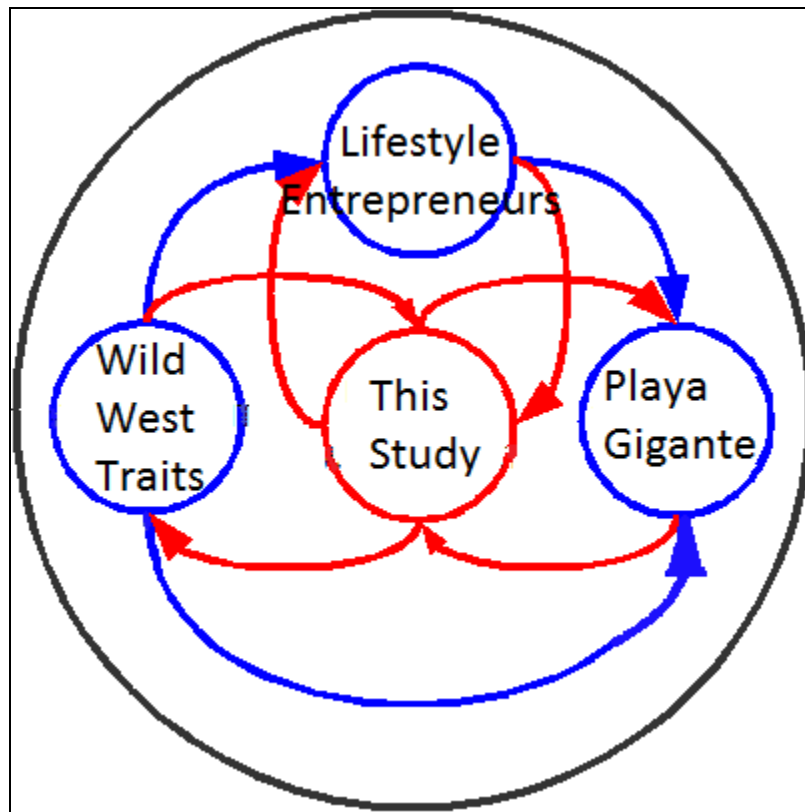


Figure 4.1 Position of the researcher within the community and study.

As the business environment was ever changing for the entrepreneurs, data were continuing to become more focused over time as knowledge and understanding of the system grew. Patterns started to emerge as the interviews and observations were taking place these were later organized

into major concepts. It would have been impossible to accurately interpret the data if a soft system thinking approach was not taken. As critical as the context is for the entrepreneurs and for this project to be accurately described, it is just important to describe the placement of the researcher. This is stressed as it is hoped further research will be conducted on these lifestyle entrepreneurs and others in developing regions to progress the understanding of their coping strategies and business models.

Combining the first hand data received through soft system thinking approach with the acknowledgement that it was gathered through observations and interviews subjected to human nature and interpretation has created this holistic qualitative study which started from a grounded theory approach.

### **4.3 Grounded Theory**

The unique context and timing of the project introduced a great need to conduct research from within the community of entrepreneurs before compiling a pre-research theoretical framework. In line with Glaser and Holton (2004), Denzin and Lincoln (2003) the research was conducted in within a grounded theory approach free from any pre-known specific theories. Due to the Wild West environment it was extremely hard to tape or record interviews. Hand written notes, quotes and thoughts would be written down at night when the power allowed for the computer to be turned on. During the grounded theory research communicating to the outside world was costly and difficult. As Corbin and Strauss (1990) directed, future interview questions and research started with tedious reviews of notes and interviews to help guide further research. As the only dialogue on the research was with supervisors the development of research methods had to be done quite independently.

After the data was recorded a systematic method of coding were completed. The core variable was that these entrepreneurs all were similar in how they approached the difficulties of starting and sustaining a venture in the Wild West context of Nicaragua.

Theoretical sampling and gathering data from the cases was intense as observations, quotes and ideas were being written down on paper all the time during the day and evening. Research time was limited and the tempo of data collection was rapid. Initially all the interviews, quotes and gathered data was gone over line-by-line to identify critical traits and behaviors to help cluster

thoughts. In line with the Udo Kalle's thoughts in his publication (2005), axial coding defined the open codes and notes into more developed themes and concepts. It was at this point in the coding that it was possible to interconnect the categories (Strauss and Corbin, 1990). The codes at this point were pivoted around a core axis of traits and behaviors associated with the cases. Without forcing the research into a predetermined direction as warned by the supervisors of this project, selective coding took place to finally identify the critical categories and how they interplayed with each other. As the data collecting pace was quick and there was little interference from outside, there was continuous checking and rechecking of notes and codes to determine the true traits and behaviors linked with the cases that were successful actions in helping to solve the phenomena. As a result of the constant comparison method it was possible to identify commonalities and differences between the cases (inter-case analysis), but also relationships and overlaps between themes within a case (intracase analysis). It was only after realizing that the data and research methods were at a saturated point that large categories and similar groupings could be selected (Anttila, 1998).

After following the procedure for coding set by Strauss and Corbin (1990) memoing took place. From those codes 38 critical concepts were identified and will be presented in Chapter 5 after the cases are presented. The critical concepts are core categories and actions that were being conducted by the cases to find a solution to the research problem. The write-up and presentation of the concepts were grounded into theory and will be presented in Chapter 5.

Critical concepts will be displayed in Chapter 5.2. The critical concepts will be discussed in great detail in Chapter 5.3. There will also be quotes and observations in the form of write-ups in Chapter 5.3. The methodology of analysis was to group the critical concepts into related major concept which will be presented in Chapter 5.4. These were the ideas that the cases were transnational and lifestyle entrepreneurs, concepts relating to resources and the Wild West were also critical concepts. The traits and behaviors that were to be later connected to the effectuation process were also grouped together.

Addressing the issue of validity, Silverman (2000) and Porter (2007) suggests two possible approaches, method and data triangulation and/or respondent validation. Triangulation was an important element of this study as data were obtained from semi-structured interviews, observations and an interview with Ben Patterson, a North American entrepreneur with years of

experience in the Rivas and Southern Nicaraguan area. Upon completion of creating the 38 critical concepts and then the major concepts, Ben mentioned in his interview, all of the 38 critical concepts (See Chapter 4.6 for more details).

#### **4.4 Case Selection**

The cases chosen for this research project were based on these parameters: The entrepreneur must be a transnational entrepreneur operating in Playa Gigante, Nicaragua as defined below, the entrepreneur must be defined as a lifestyle entrepreneur as defined in Chapter 3, the entrepreneur must have total control over their venture and must be able to release business related data concerning this project and be available for further research in the future. This is in line with criterion sampling which is said to have a high quality assurance (Mugo, 2011). Criterion sampling involves selecting cases that meet some predetermined criterion of importance (Golafshani, 2003). This sampling technique has also been stated to be useful for identifying cases from a standardized questionnaire that might be useful for follow-up research (Robert Wood Johnson Foundation, 2006).

With the limited amount of prior scientific research within this context (see Chapter 2), the most accurate data could be extracted from the field by being embedded into the Playa Gigante community for a duration of three months. The small village environment meant multiple cases could be observed at one time as they interacted, and depended on each other. Given the close proximity of the cases it was easy to understand the interlinked community that they live in. Research began almost immediately after arrival. Gaining their trust was extremely easy. All of the entrepreneurs were very open to being studied and interviewed.

The entrepreneurs that own and operate their businesses in Playa Gigante all come from the West Coast region of North America. They have established their businesses in Playa Gigante and utilize their connections within Nicaragua and back home. Playa Gigante and Nicaragua itself does not have a substantial clientele base to sustain these entrepreneurial businesses. The entrepreneurs tap into adventurous tourists from around the world. Interdependency with the local community and the connections that must be maintained back home has placed these entrepreneurs into a unique classification. The term transnational entrepreneur applies to all of the entrepreneurs in Playa Gigante.

Transnational entrepreneurs by definition are entrepreneurs that in some way, physically or telecommuting maintain connections with their home and local markets (Drori et al, 2009). They travel frequently between the home and host nation and depend on that link to maintain their business. The entrepreneurs' primary contacts and associates are from the home country (Sequeira et al, 2009). The home country in this case is either The United States of America or Canada. The host country is Nicaragua. The shrinking cost of communication, travel and information exchange has allowed these North American entrepreneurs to utilize the developed economic strengths.

Transnational entrepreneurs utilize resources from both home and host nations to assist in start-up capital and labor. While most variables of the business models are a mixture from both countries, these transnational entrepreneurs are using skills and products from the home country while consumption is located in the host country (Drori et al, 2009). By combining the unique context of Playa Gigante, cheap labor and land costs with the cross boarder exchange of North American products and skills creates an interesting industry. An industry populated by high paying North American, European and Australian tourists and price savvy surf bums. These entrepreneurs have found a niche to operate a successful venture, which is line with Chrisman (1998) who suggested that a venture is successful when it creates value for its customers in a sustainable and economically efficient manner.

#### **4.5 Population Profile of Playa Gigante, Nicaragua**

The beach of Playa Gigante is inhabited by forty North American entrepreneurs and roughly two-hundred and sixty locals. Moving to the area in the 1970's from Tola and Rivas as a church community, the locals sought an environment that enabled them to practice their beliefs away from the larger conformist communities.

While Spanish is the language most widely spoken among the locals, the younger few who speak English find jobs as tour guides leading tourists to ideal fishing and surfing areas. The rest of the locals find jobs working for the entrepreneurs as surf board repairmen, cleaning and cooking assistants and on boat maintenance crews. With the presence of North American entrepreneurs the quality of life for the locals has increased allowing younger generations to learn valuable skills to support their families in ways differing from the traditional farming careers. The locals

have an extremely high support rating for the North American entrepreneurs and tourists. Support in Playa Gigante is in line with other coastal communities that rely on tourism for sustainable growth (Wanjohi, 2004). This environment created a mentally supportive area for the entrepreneurs to operate in, and a reliable context in which to study lifestyle entrepreneurs.

#### **4.6 Research Ethics**

To ensure ethical issues were considered it was very important to have very open and secure conversations. Being granted sensitive personal data and an all access look into their lives has been no less than an honor. That being said, all of the entrepreneurs were surprisingly open, wanting to talk about their ventures in front of the other entrepreneurs of the village. At the end of the night, when the surf tourists were sleeping after a hard day, the entrepreneurs would all gather at someone's hut. They would open a bottle of Nicaraguan rum Flor de Caña, sit under the moonlight and watch the Milky Way rise. Some would have conflicts on the side, who borrowed what and when. Everything was situated relatively quickly. Stories of why they came to Playa Gigante were well known living that close to each other. The conversations grew more in-depth and the community became a family. When offered written confidentiality agreements, they all had similar reactions. That was a smile, and a verbal promise to do only good with the data and use it to progress mankind.

#### **4.7 Triangulation**

A questionnaire was administered with follow-up interviews taking place while on location. The questionnaire was created to encompass a great amount of subjects from marketing techniques to entrepreneurial traits and background information. The survey was also created to best establish a foundation for further research once field observations and interviews were concluded. Observations by living among the entrepreneurs were conducted throughout the three months surrounding the surveys and interviews.

Although each case in Playa Gigante could have been easily studied and would have contributed enough data alone to this project, it was decided to diligently study all to verify the unique facts being observed. This would also increase the likelihood of using the findings towards other cases around the world. Given that there are only a small number of similar research projects within lifestyle entrepreneurship it has been difficult to identify a more successful methodology



compared to others. Even if a researcher had adequate time to conduct a theoretical framework prior to leaving for Playa Gigante, the Wild West context forces the researcher to become quite resourceful and adapt a somewhat effectuation logic view of collecting data.

Although there were specific limitations to Playa Gigante and the Wild West context, more general limitations have been presented by A.F. Chalmers in his book *What is this thing called Science* from 1999. Chalmers details the difficulties that lay within the procedure of observations. One of the main difficulties is that observation is conducted with the foundation of prior knowledge being required to fully understand the fact. For example, in order to distinguish between an apple and a tennis ball, we need to access our earliest knowledge to formulate an answer. Continuing from the requirement that all researchers need prior knowledge to separate between facts, researches are also subject to prior cultural biases. As mentioned in Chapter 1, there was very little background information provided before departing to Playa Gigante.

In order to increase the validity of the data a non-structured interview was conducted with an entrepreneurial expert who has lived, worked and is integrated in the Southern Nicaraguan and North American societies. Ben Patterson, was a former Peace Corps volunteer that was assigned to a surf village not far from Playa Gigante by the name of San Juan del Sur. He worked in schools and with the local government to spur innovativeness and entrepreneurial ventures in the region for over three years continually. He has since married a local Nicaraguan woman and travels between to the two regions. His interview has been uploaded on to the World Wide Web, at the following URL: <http://blip.tv/file/4942769> and <http://blip.tv/file/4942671> so the reader can see his expert opinion and knowledge on lifestyle entrepreneurs in the area.

Ben was interviewed in Columbia, South Carolina shortly after the field research portion of the study was completed. He has never been to Playa Gigante nor met any of the cases presented in this study. With that, he mentions the exact same critical issues faced by the cases in Playa Gigante and reiterates the same difficulties found in this research. Although he supports the findings, he stopped short of formulating a hypothesis of how do lifestyle entrepreneurs cope with the harsh business context of the area. The interview was unstructured as it was felt that a structured interview would have baited or lead him into a conversation about what the author felt was necessary to cover and not what he thought in his expert opinion should have been discussed.

## 5. Cases and Results

The empirical chapter of this study will present the data collected during the field research phase. The cases will be extensively presented and discussed first. The data will be presented as the coding process produced. The critical concepts are label used to label the major themes that were found from the open coding phase. The results of the field research will be presented using the process discussed in Chapter 4.3. Detailed quotes and observations will be linked in Chapter 5.3 to the results to highlight the critical connections between the data and the aim and objectives of this study.

### 5.1 Presentation of Cases

Based on the criteria selected prior to arriving at Playa Gigante there were eight cases that qualified for this study. The eight cases are presented and described in the table below.

Table 5.1 Presentation of cases

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8
Age	30	36/34/4	32/32/2	23/23/24	29/28	29	58	28
Nationality	USA	USA	USA/Spain	Bahamas	USA	USA	Honduras	USA
Gender	F	M/F/f	M/F/f	M/M/M	M/F	M	M	M
Education	College	High School	High School	High School	College	College	High School	High School
Entrepreneurial Experience	No	Yes	Yes	No	Yes	No	Yes	No
Type of Business	Surf Camp	Hostel	Restaurant/bar	Surf Camp	Surf Camp	Surf Camp	Fishing	Surf Camp
Transnational Entrepreneur	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The field 'Gender' included upper case M's for adult males, an upper case F for females and lower case f indicates the families' daughters.

**Case one (C1)** is a thirty-year old woman from the upstate part of New York. She has a Bachelor's degree in communication disorders and sciences with a French language minor. She was previously employed by the United States Army and Department of Defense where she worked in the intelligence analysis career field. Following a substantial amount of time living in Iraq, she decided to invest the money she earned into a surf camp in Central America. She has no prior entrepreneurial experience.

She arrived first in Costa Rica and searched for nearly nine months through Costa Rica and Nicaragua for a location that was already established or near completion. When she arrived in Playa Gigante in 2009 she bought the surf camp built by Case six (C6) and Case eight (C8). The surf camp was nearly completed and had a solid customer bases from the United States. Since acquiring the surf camp she has renovated the camp to ensure reliance on local utilities is not necessary when they fail. She has also changed the employee rotation and acquired a new customer base from the United States.

She considers herself a lifestyle entrepreneur who relies on her support system and customers from her home country. She has never considered writing a business plan. C1 was similar to the other entrepreneurs in that she was eager to assist in the research of this project. She made herself available for interviews and observations as much as possible. In one interview she stated, "I miss my family back home. I think we all do, we're not running away from home and hiding down here. This is the only place we can invest the little amount of money we have into our passion and find a way to sustain it somehow. It's the great relationships back home and with the international guests that continue to support the development of the surf lodge. At the same time, it's critical to develop a relationship with the locals who notice the working opportunities to help clean around the lodge and repair damaged surf boards. I don't know a lot about boat maintenance or in fact, how to run a hotel. I do know how to control hostile situations, organize people and place the correct people and correct jobs. It all balances out at the end of the day. In these conditions, who knows what the next day will bring, but for right now and right here, I wake up every day ten meters from the beach and I can surf all day long if I wanted, that's what life is all about. Plus if this ever gets old, owning your own business in an international environment looks pretty good on your resume."

**Case two (C2)** is a family unit consisting of a thirty-six year old father, thirty-four year old mother and their four year old daughter. They bought a hostel that was nearly complete. They have been living in Playa Gigante for a little under a year at the time of the field research phase. They invested their profits from selling a hostel in Costa Rica a year prior to arriving in Playa Gigante. The husband and wife are both from California. They moved to Costa Rica over ten years ago to live and experience the developing environment of Central America. Their daughter was born in Costa Rica. They brought with them to Playa Gigante the Costa Rican nanny that has been helping them raise their daughter. Both the husband and wife have a high school education. They are operating the hostel with the prior entrepreneurial experience they acquired in Costa Rica.

C2's hostel venture depends on backpackers and travelers for their profit. They use word-of-mouth advertising exclusively. Their business is stable and will continue to provide for their family for at least the next couple of seasons. They have considered looking at different locations in Nicaragua to build their own hostel in the future. They have never considered writing a business plan. C2 stated in the interview, "We saw Costa Rica becoming too touristy, too many people seeking to exploit someone else. We didn't come to Central America ten years ago to conduct our business and raise a family in those conditions. We survive in a safe environment. As we live here longer, we are becoming closer to the others in the community. It is taking a little longer than expected, but everyone is here to support the idea of living in a small community away from the negative aspects of large, drug-ridden cities. We don't know the local Nicaraguan inhabitants so much, but we have our own source of help and can manage just fine."

Relations with the other entrepreneurs are growing. C2 is seen as a new comer to the village. Although C1 has not been in the area much longer, C2 is not jumping into every opportunity to bond with the other entrepreneurs. During community events like cook-outs and get-togethers, C2 and his family tend to stay at the hostel and entertain the guests or to continue renovations. C2 utilizes the help of the Costa Rican nanny to clean the hostel rooms, but upgrades and improvements are always needed. One of the major internal disputes between the entrepreneurs can be observed between C1 and C2. Both of share a property line that has been in dispute since the C6 and C8 built the surf lodge that C1 now operates. The property line from the ocean up towards the forest has been in dispute and will more than likely continue to be disputed for years

to come. Both parties and the community agree that such a small (one meter by four meter area near the dirt road) discrepancy does not cause such a problem where lawyers and formal institutions need to get involved. When C2 moved in, he did not understand most issues similar to this were dealt entirely within the community. He suggested hiring lawyers which he has since suggested otherwise, but his first reaction sent a negative signal to the rest of the community.

In an interview with C2 he mentioned that as time goes by and they are starting to understand the village better, he is possibly thinking of staying longer and giving up on the idea of building his own hostel somewhere else in Nicaragua. He based this idea on the fact that he has invested so much time and energy to understand Playa Gigante that it would be counter intuitive to start again from nothing in a new location with similar difficulties. He also understands the importance of a small working community and would like to be more involved in the future.

As no new buildings are under construction in the village, and with very little geographical area to expand, C2 will more than likely remain as the newest entrepreneur to the village.

**Case three (C3)** is a family unit that met while traveling in Nicaragua eight years ago. The husband and wife are both thirty-two years old. The husband is a childhood friend of C6 and C8. He first helped establish their business and then moved to Spain with his wife. They have since had a daughter who is two years old. They moved back to Playa Gigante after the child was born. During his early years of helping C6 and C8, he was part of the team of entrepreneurs that organized during the off-season and helped dig a pipeline to the neighboring area to supply the village with running water. Although the water piped in is subject to the same discrepancy as the electricity and other publically provided utilities. His early years in Playa Gigante were as a surf guide and adventurer. It was the longing to live a peaceful life while pursuing his passion that he returned to the area with his family.

Returning to the now more developed village they bought a well-established but mismanaged restaurant in the central part of the beach. They have changed the business model from an exclusive restaurant to a combination business model which includes: breakfast, lunch and dinner restaurant that serves up to twenty people. The restaurant also includes hookah, domestic and international liquor. The restaurant and bar area has been created by renovating the open air living room of his house. The kitchen is connected to the back of the house. Their bedrooms are

connected to the other side of the kitchen. The picture below is the view customers see as they walk into the open air living room from the single dirt road that runs north to south on the beach.



Figure 5.1 Entrance C3's living room/restaurant seating area

Along with the restaurant, C3 offers a pair of guest rooms that he rents out to travelers, one with a fan to help keep visitors cool, the other costs a little less as it doesn't not have fan. Visitors to the village can rent surf boards, a jet ski or bikes from him. Guests that arrange to stay with him are treated like other guests that plan on coming to the village through the other entrepreneurs for more than a few days. This includes the opportunity for the guests to be picked-up in Rivas or Managua. Once the guests are at the beach they have little opportunities to connect with the outside world. C3 is one of two businesses that have purchased expensive wireless internet for the guests to use. A majority of the time the guests are out surfing, or hiking through the surrounding forests as C3 stays back and helps prepare for the evening rush. Guests from other hostels and surf camps generally come to C3's (and C5) businesses for dinner and continue to

stay as the bar remains open as long as people are around. Everyone using C3's services starts a tab when they enter the village and pay it right before they leave.

Similar to the other entrepreneurs in the village, he enlists the help of travelers who are staying in the village for a longer duration. Guests that are staying with him that can offer support in terms of accounting, bartending, mechanical or entertainment skills are offered discounted food and lodging rates. C3 stated during the interview, "Of course if someone passing through has a Master's level education in accounting or experience fixing jet skis, I'll let them stay free while they're helping me. I barely graduated from high school. I know how to lead, organize and notice where I can offer a service to someone. I don't know how to balance my accounting books or repair the sand damage on the jet ski. Being successful down here means knowing exactly where your strengths and weaknesses are. I don't know a lot of entrepreneurs back in the United States that would feel comfortable opening his accounting books to a guest passing through. Those kinds of decisions and business moves are a great reason why I can sustain my lifestyle down here."

C3's business is more than a place to sleep, eat and drink. It's a place to gather, learn and play. During the frequent electric shortages the other entrepreneurs and guests came to this central location to sit around candles and come together as a community. C3 continued in the interview, "My business model is based on one principle, where I can offer a service and make money, I do it. This week Managua had a huge sale on candy bars, never seen before down here. I know the guests and other entrepreneurs miss a little taste from home. I make twenty cents of each candy sold, but that's still a profit. Next week I might have a new service or menu to offer." The picture below is a board which is updated as the services offered change.





Figure 5.2 C3's bar/living room

As C3 has been involved with C6 and C8 during the initial years of the village's development, he can offer guests a verity of educational tours and information on the area. These tours are always offered free as he said in an unofficial interview, "The village is small, the visitors that come need to experience the beauty offered by nature and the local inhabitants. We live as one community and the visitors that travel through the rain forest to get here are more than a source of income, they become part of the community."

**Case four (C4)** is a team of three male friends that moved to the tropics after dropping out of high school. With their passion for surfing, fishing and everything to do with the sea they have



slowly built up a network and enough knowledge to start a surf camp of their own. They decided on Playa Gigante because it is where they all met. They also loved the freedom that they found while starting their own business. Their idea of building a surf camp is in the progression phase and is being built room by room. They started last year with one room and rent C7 boats to take guests out on surf trips, fishing trips and spear fishing adventures. As they earn money they are building onto their surf camp. At the time of the interview they had built three rooms, and started building a kitchen. They have the idea to be the only surf camp on the beach that also takes guests out on fishing trips. They have absolutely no marketing plan, no business plan or goals for the future. They depend on word of mouth guest referrals from friends they have networked with over the years. They say their guests have to be a little more adventurous, a little more used to the developing world to stay with them. They do not have personal air conditioned rooms and prefer to sleep on hammocks. The guests have their own room and bed, but lack the basic services the other surf camps offer, that being, air conditioning, private bathrooms, a kitchen, rides to-and-from the airport and Rivas, and on-site entertainment (Television, movies and books). The upside to their streamlined business is that they can offer extremely low prices to those willing to give up the comforts available at other camps.

**Case five (C5)** is a couple from the United States. The male has had previous entrepreneurial experience in Grenada, Nicaragua, an extremely touristic city. He started a restaurant that ended up failing. With that experience he found an opportunity to start a new restaurant on the beach of Playa Gigante with the help of friend he knew living and working in Playa Gigante. Without his friend in Playa Gigante and being able to utilize his network he would have never considered Playa Gigante.

He started dating and has combined his assets with his girlfriend. She came to Playa Gigante as a guest of a surf lodge. She worked part time pay for her room and meals. She worked for the American who sailed into Playa Gigante the late 1970's. That American took an opportunity to buy the land around the beach. He later sectioned it off and has been selling them off lot-by-lot to property investors. The female in C5 has taken over the role of supervising the surf lodge and the property sales. They both find juggling different businesses in a hostile environment a daily struggle but extremely enriching and rewarding. They have been living on the beach for a couple of years and have no plan on leaving. They both came to Playa Gigante with very little money in

their bank account and are continuing to work there with the promise that they will inherit a great amount of the unsold land and surf camp. They both have college educations in unrelated fields outside of business and entrepreneurship.

**Case six (C6)** was one of the original entrepreneurs to Playa Gigante. He came to the beach by himself to surf in 2002. He met the American who bought all the land in the 1970's and saw an opportunity to buy some beach front land and start a small surf camp. He called three of his friends down from the United States to help invest and build the surf camp that C1 ended up buying off him. C8 was one of the original four entrepreneurs. In this study, C6 and C8 are separate, as C8 has continued to stay on and help C1 in adjusting to the beach. They also had very separate roles in developing the surf camp. C6 was the lead entrepreneur who worked on the day-to-day operations of making sure the camp was stocked with supplies and was able to run. This was an extremely harsh task in 2002 prior to the beach have established wells to gather drinking water from. The beach also had no access to public water since it wasn't until C3, C6 and C8 dug a pipe line in the later years. In 2002, C6 also had to play by different governmental regulations that C1 and C8 have to contend with currently.

C6 was the first entrepreneur in the beach to be qualify as a transnational entrepreneur, as defined earlier in this study. After C6's arrival to Playa Gigante, the other cases in this study also qualify as transnational entrepreneurs. It was C6 that started to target guests from his home country and bring them down to place where they could receive great services, once built, surf world class waves without other tourists around and do it for half the cost another surf camp was offering in Costa Rica of Bali. As C6 stated in an his interview, "I saw what Nike and other major businesses were doing by utilizing cheap labor and governmental regulation loop holes, I came down here to travel and surf, and I connected the two concepts."

C6 slowly built the surf camp in the method that C4 did. The first season they lived and hosted a few guests from a small shack. They later bought the property C2 is operating his hostel on. They helped build that hostel and had the staff sleep there while the guests stayed right next door in the building C6 and C8 were building. By the third season they had built the current structure C1 bought from C6. C6 started in his interview that the first three years were the hardest. They had to deal with building their own structure while contending with corrupt governmental officials while being isolated from public utilities. They had no money, jus time and effort to

invest into the project. It became so stressful that two of the four entrepreneurs left back to the States, selling off their shares to C6 and C8.

C6 stated in his interview that it was extremely important for them to follow the expectations of the governmental official during the first few years of operations. Until other entrepreneurs came to the beach, the governmental official checking with the beach had a very loose standard of what the current tax rate may be every month or every other month he visited. By being nice, offering a dinner and some drinks, they found the tax rate to lower and stabilize over time. Once other entrepreneurs came to the beach, a more standardized tax rate was established. At the time of this study, it was five US Dollars, a meal and a drink while the official filled out a very unofficial receipt.

When it came time for C6 to sale his share of the surf camp, C8 wanted to stay but couldn't operate the successful business on his own. They decided to completely sell it with the added bonus that C8 would stay on location until the business was sold and they he would stay on as an operations manager for C1.

**Case seven (C7)** is unlike the other entrepreneurs because he is originally from Latin America. Born in Honduras, he illegally crossed into the United States over thirty years ago. He started working in a Chinese restaurant in Washington D.C. After 20 years, he married an American, became an American citizen and rose to become the owner of the Chinese restaurant. After all of his hard work, he sold the restaurant to follow his passion. He took the money from selling the restaurant and came to Playa Gigante a few years ago. He bought premium boat engines, a few typical Nicaraguan low cost boats and a good amount of fishing nets. He also had enough to buy a little building on the beach in Playa Gigante. That building services as a processing center for the daily catch and his home.

C7 has no staff, instead the locals that wish to work can come to him each day and see if there is a boat available. C7 provides the boat, the gear and the gasoline for them to go fishing. They in return must return everything in great shape and earn a little income from the fish they catch. This business model has lead Case to be one the top providers for Nicaragua's distributors of Red Snapper, a fish commonly caught of the shore of Playa Gigante.

C7 started in his interview, “I have lived the American dream. - from nothing to everything. At the end of the day, you couldn’t pay me enough to give up on my passion here of living on the beach, fishing every day and laying in my hammock. American is a great country to work hard and gain any superficial passion you desire, but that’s not my lifestyle.”

**Case eight (C8)** was one of the foundering transnational entrepreneurs to arrive in Playa Gigante a little less than ten years ago. He is a close friend with C3 and C6. He has not missed a peak tourist season since coming to Playa Gigante. He arrived shortly after graduating from high school with a skill set that included great interaction skills with people, practical boating experience and a solid history of extreme sporting. He was asked by C6 to join the surf camp for those skills. After a while it became apparent that C8 also had some natural entrepreneurial skills that could increase the growth of the surf camp.

With those entrepreneurial skills and the great need of attention the surf camp required, it was critical for C8 to start offering some of those entrepreneurial traits. At the same time, C8 was enjoying the lifestyle and requirements of living in a developing area. C8 stated in his interview, “This opportunity fell into my laps, a great friend needed help with a great project and the timing worked out perfectly. Instead of coming down here for a season or two, now I had to readjust my thinking and potentially become an investor.” After some deep thinking C8 transitioned from an employee to an investor. In hind-sight, that investment has paid off very well for him. With C1 now owning the surf camp, C8 can focus more on his lifestyle. After field research was conducted, C8 finally took some personal vacation time away from the beach and surfing and started a long sailing trip around Europe. He plans on returning back to Playa Gigante when the time is right. “There is absolutely no way I could work for a corporation or for anyone else than a fiend now that I know what working for myself in Playa Gigante requires. The area and business environment may seem daunting at first, but once you learn how to deal with the corruption and politics in Playa Gigante, it’s not that bad.”

## **5.2 Grounded Theory Open Coding and Sorting Results**

Table 5.2 presents the findings from the open coding stage of the grounded theory data collection phase. The table is meant to present and compare the cases with the overall ideas of the questions posed to the entrepreneurs while administrating the surveys and conducting the interviews.

Direct quotes and observations will be presented along with the critical concepts. After the presentation of critical concepts/themes, a table in Chapter 5.4 will connect larger concepts together through axial coding that lead to the selective coding and formulation of finding a solution to the research question of this research: How do lifestyle entrepreneurs create and sustain viable ventures while maintaining their way of life?

Table 5.2. Critical Concepts/themes found from open coding

	Critical Concepts/themes (CC)
CC1	Connection with support system back home
CC2	Borrowed money for start up
CC3	Amount of physical assets when beginning in Playa Gigante (PG)
CC4	Support from Nicaraguan government
CC5	Access to resources and utilities
CC6	Access to local business environment data
CC7	Knowledge of local business regulations and laws
CC8	Hired international help
CC9	Hired local help
CC10	Involvement with locals
CC11	Involvement with other PG entrepreneurs
CC12	Positive opinion of new competitors
CC13	Observant of similar competitors locally
CC14	Observant of similar competitors internationally
CC15	How established was your building when you started
CC16	Changes to your building since you started
CC17	Reliance on utility providers
CC18	Trust in utility providers
CC19	View of the overall infrastructure
CC20	Trust in formal institutions
CC21	Usage of informal institutions

CC22	Participation in corruption
CC23	Difficulties adjusting to a developing business environment
CC24	Difficulties adjusting to a developing country
CC25	Difficulties adjusting to foreign business methods
CC26	Stress from being an entrepreneur in a developing economy
CC27	Satisfaction with life
CC28	Desire to operate in a safer business environment
CC29	Usage of second hand knowledge
CC30	Usage of personal network
CC31	Surplus of assets invested
CC32	Usage of a business plan
CC33	Fear of risks and changes
CC34	Forecasted goals planned
CC35	Similarities of problems faced by others in PG
CC36	Similarities of methods used to solve problems by others in PG
CC37	Importance of passion satisfaction over profit
CC38	Importance of operating in a developing economy

The concepts listed above were critical aspects that were shared among all the entrepreneurs studied. These concepts were shared by the entrepreneurs as they were critical for survival in Playa Gigante.

### 5.3 Analysis of Cases and Critical Concepts

**Critical Concept 1** is related to being a transnational entrepreneur as defined earlier in this study. As seen in the chart, all besides C7 had extremely high connections with their home country. The strong connection came in forms of having a banking account there, relying on customers from their home country and still maintaining connections with friends and family in hopes of returning one day. C7's only connection with his former home in the United States was with a critical business partner.

**Critical Concept 2** is related to the affordable loss principle of effectuation logic. Operating in an environment where start-up funds and support is hard to come by, the entrepreneurs must be mentally prepared to establish their venture with only the money they have at hand when starting. For C3, he had borrowed a minimal amount of money from his entrepreneurial uncle. C3 has had prior experience in Playa Gigante and knew with a little extra money he could better establish himself. Borrowing money was also limited by the fact that no bank would back a venture by a lifestyle entrepreneur with no business plan being established in Nicaragua.

**Critical Concept 3** is related to the crazy quilt principle of effectuation logic. Without being able or wanting to borrow resources, the entrepreneurs are limited to the exact resources they have at the time of their venture creation. From there they must utilize the crazy quilt principle as best they can to establish and obtain new resources. C1 came to Playa Gigante with only the money in her bank account and started her surf lodge with only the structure of the building and a boat. She had C8 there for experience and local knowledge. Everything from there was up to her to provide. That is similar to C3, C4 and C6. C2 purchased a business with everything needed to operate it, including a strong return customer base. C5 and C7 are in the process or have just completed their ventures from nothing.

**Critical Concept 4** is related to the Wild West aspects of operating in Playa Gigante. When asked in interviews if they received any support in any form from the government, they all adamantly denied the government helping them. C3 stated, "... in fact, when we have asked for support in helping build a better road or connections to utilities we are better off screaming into the wind." All of the cases though decided on Playa Gigante for the lack of governmental intrusion into their business and personal matters. "A strong self-awareness and locus-of-control is demanded from the entrepreneurs who operate within an environment lacking governmental regulation and support. They need to understand they will not receive any help, in any form at any stage of their venture. With that some entrepreneurs would love that aspect, knowing they would not need to contribute back into the system and their net profits would increase," stated C2 in his interview.

**Critical Concept 5** is related to the Wild West aspects of operating in Playa Gigante. With the lack of governmental support, the entrepreneurs have had to create opportunities to access utilities on their own. C6 and C8 were one of the first developers to arrive in Playa Gigante, they

had absolutely no access to water besides well water. Electricity, which was previously supplied by portable generators, was brought in with the arrival of more entrepreneurs such as C5 and C7. Since then the entrepreneurs had to dig water lines and secure electric power lines from Tolla and surrounding areas, then install them throughout the village as best they can. As the entrepreneurs work more as a community and establish the beach they are gaining better access to critical utilities, even though it will never be up to a standard where they could predict a power outage.

**Critical Concept 6** is related to the Wild West aspects of operating in Playa Gigante. Local business data means data relating to how the market and business environments operate locally. The only method of accessing that data is through tacit knowledge and learning from others. C4 has spent a lot of time in surrounding areas, growing up in similar environments. Combine that with their high connection with locals helps them understand the corruption trends better than the other entrepreneurs. C5 is similar in the fact that they interact very much with the locals. C7 originally comes from Central America and knows a little of how the business environment operates. Although cases have some insight into the business environment, they were all very skeptical about how reliable the knowledge was given the high uncertainty of the future.

**Critical Concept 7** is related to the Wild West aspects of operating Playa Gigante. This knowledge was best obtained through a soft system thinking method of analyzing the community, the politics and locals holistically. With the extreme lack of governmental support, very little education of the rules were passed onto the entrepreneurs. This also aided in securing corruption. Without the government communicating the entire law equally to everyone, by allowing access in different languages, or user friendly education portals such as the internet, entrepreneurs were left to research the laws and decipher them on their own. It was easy for a corrupted governmental official to extract resources i.e. money, food and drinks, when a new or unfamiliar entrepreneur did not know the current regulations. C4, C5 and C7 have surrounded themselves with locals and others in their network that have direct contact with governmental officials or have hired lawyers to continually monitor the daily changes in regulations.

**Critical Concept 8** is related to being a transnational entrepreneur and effectuation logic's primary principle. Utilizing who you know, especially in times of great uncertainty can help aid the entrepreneurs when conventional methods of operating such as with a business plan or



utilizing a non-nepotism hiring policy can hinder the small business. All of the cases besides C4 and C7 relied heavily on hiring friends and references from their home country. C1 stated in her interview, “I can provide room-and-board plus tips to my employees and that requires less work than finding, screening, educating and providing for a local. I can hire locals for remedial tasks such as cleaning, but until they can speak English well enough to understand the operating standards I am placing on my employees, I have hired someone I know and can trust.” C3 with his more developed understanding of the village and locals stated, “International help that comes here, trekked a long ways to get here, they’ll have a stronger work ethic. With the locals, some days they don’t show up to work, and without cell phones, you have no idea if they’ll come back tomorrow, some just leave without notice. On the other hand, you have to help support the community. There needs to be a balance from what we are taking away from their beach and what we provide to them.”

**Critical Concept 9** continues from Critical Concept 8. C4 stated in his interview, “I have heard C1 and the others point of view of bringing employees and staff down from the United States, but they offer no more support than a local. When you hire a local, you’re contributing to their quality of life. The governmental officials see you are supporting their community and have been very generous when it comes to paying them off in corruption fees.”

**Critical Concept 10** relates to effectuation logic’s principles. Interacting with the locals can be completely avoided until it comes time for the tax officials visit, supply runs to Tolla and Rivas and when a local wants to utilize the entrepreneurs services, which may be frequent or not. Some of the entrepreneurs such as C2 wanted nothing to do with the locals. His aim was to run a business for travelers so he could spend his days surfing and with his family. On the other hand, C3 and C5, and to some extent others, enjoyed seeing the local kids grow and experience the positive effects of globalization, education and better health services. C5 stated throughout their interview that interacting with the locals and seeing the children grow up was one of their driven forces in keeping them in Playa Gigante for the next few years.

“Interacting with the locals can also bring positive benefits as well when dealing with the adults,” stated C7 in his interview. He continued to say, “I depend on the locals to use my boats and return in the afternoons with a boat full of fish. My business model depends on my on hiring anyone, but leasing my gear out to them. If they all of a sudden desire to work somewhere else, I

have to cut my net profits and pay them more per kilo, or start hiring staff full time. The fishing has been good in the past couple of years, but it's the solid relationship I have with them that keeps them trying hard when the fishing isn't so good."

**Critical Concept 11** related to the principles of effectuation logic and the Wild West aspects of this study. The high risk community is vulnerable to corrupt officials and outside investors. By remaining a tight community they are able to better understand the political trends and ensure no one is paying more in corruption fees than someone else. "Once one entrepreneur is seen as weak in the authorities' eyes they'll raise taxes on them, eventually taxes will then raise for everyone," stated C6 in his interview. C3 is also stressed throughout the field research study that a close community is critical when dealing with Wild West traits of a developing area. Without a proper police force, fire service or medical center, we have to depend on the skill sets and trust of one another. If a customer is injured while surfing, at least one of the entrepreneurs tried to have a trained medical employee. Sometimes it was C1's surf guide, or C7's cook, someone in the village needs to know how to administer stitches and minor medical treatments.

"Living amongst each other with very little outside interference and connections brings the village closer together. We're all here for the same underlining principle. None of us want to hurt the other entrepreneurs or their businesses. We are a little eco-system here, we might not personally like someone or what they are doing, but it's like a brother-sister relationship, at the end of the day you have respect the small village network we have established here," stated C8 while conducting a side interview before the field research phase was completed.

**Critical Concept 12** is related to general entrepreneurial skills. At the end of the day, although lifestyle entrepreneurs are placing passion before profits, they still need make enough profit to feed themselves and pay the tax official. The lifestyle entrepreneurs stated that the most likely form of competition would come in the form of a business model that is already in place in the village. Knowing that competition would not directly impact their market, all but C7 responded with positive remarks to new business in the area. They indicated that most of their clients are from different parts of their home country and a new competitor would more than likely bring a new pool of cliental down into Nicaragua. In the end, the increase in cliental would help C3, C4, C5 with their daily operations. Only C7 would be negatively affected if a new fishing competitor came and reduced the fish population.

**Critical Concept 13** continues from Critical Concept 12. Knowing competition would be mimicked and similar business models would arrive, the established businesses watch what each other is doing. They were at least somewhat aware of others' financial status, customer flow, customer ratings and some could guess very accurately what the others' next business moves would be. In one interview C1 and C3 predicted exactly what C2 was going to do within the next six months. Critical Concept 11 shows how interactive the entrepreneurs are with each other, but in Critical Concept 13 we can see how that could lead to some negative business situations. C6 and C8 were in Playa Gigante from the beginning and had no one to monitor, they had to establish the ethos in which other entrepreneurs in the future would have to follow.

**Critical Concept 14** is the inverse of Critical Concept 13. Here C6 and C8 could indicate how they were observant of competitors. In the beginning when Playa Gigante had no international tourists, C6 and C8 had to look towards Costa Rica, Panama and Bali to gauge their price structure and marketing mix. They soon realized that although the clients were the same and they went to those places for the exact same service (to surf), that all of the other surf camps around the world were operating in high tourist areas with years of stable infrastructure.

**Critical Concept 15** aided in confirming observations made throughout the field research. C6 and C8 who built their surf camp from a small shack seemed to have suffered from more culture shock and psychological depression in the early years of establishing their business. As the village developed and C1 and C5 started to establish their venture the stress of not having to build during the off season allows for personal holiday back home or to other countries. Their optimism had allowed them to stay longer in the Wild West environment and will ease as better utilizes are provided. This Critical Concept directly relates to this study's objectives, especially B and D.

**Critical Concept 16** relates to the project holistically. Relating the concept to effectuation logic and its principles, the concept reveals the entrepreneurs' drive to build something from the ground up. Once the building is established, renovations slow down and capital is utilized in other aspects of the venture. This allows the entrepreneur to invest just the right amount to purchase the land and what they need to build a structure to the point they can return to focusing on their passion.

**Critical Concept 17** shows quantitatively the effects of the Wild West forces and how development and resources are utilized by the entrepreneurs. The results indicate that the newer the entrepreneur is to Playa Gigante the more they rely on outside sources of utilities. Once the water pipe was dug by the earlier entrepreneurs, future ones have tapped into the resource. It should be noted that this water is partially provided by the city, but originally tapped by the early entrepreneurs C3, C6 and C8.

With the unpredictability and cost of public utilities the entrepreneurs were slowly investing into their own power generators and water collection tanks. As C5 stated in the interview, “If we had the money we would try to completely go off the grid and rid ourselves of relying on Nicaraguan utilities. If we had the knowledge and money, we’d try to get off the grid in an extremely environmentally friendly way.” Both the country and entrepreneurs could see improvements in reliability and costs if proper monitoring of utilities used and collection of payment is set in place. Until utilities and infrastructure are prioritized, the more reliant entrepreneurs are dependent on public the utilities, the more risk they run of leaving their customers in the dark.

**Critical Concept 18** labeled and aided in seeking the measurement of how the entrepreneurs preserve and trust public utilities. They all replied with great enthusiasm, “Not at ALL!”

**Critical Concept 19** “Building and infrastructure wise you see places like San Francisco, Los Angeles and other harbor cities, they were built where they are so they could handle a mass of people. Our harbor could handle large ships but it's not the best place and we kind of like that. We set up our businesses knowing this area will never be a huge city one day. We understand the cap we're putting on ourselves. We don't have a desire to expand. Our business keeps us alive, keeps us happy, keeps us balanced. As long as we can do that, we don't need to expand.” Stated C3 during an interview. He emphasized that the size of his business in order to increase the creativity he can develop it under given the unique Wild West conditions he operates in.

The entrepreneurs knew their surroundings were limited and had a bleak outlook. They also knew they it could be used as a marketing strength. They could save money on not paying taxes while they could market their all-inclusive surf lodge or restaurant as adventurous. They target a market segment that understands the developing world and understands that that is where the ideal conditions are to surf and vacation for their particular lifestyle.

**Critical Concept 20** shows the satisfaction of formal institutions, which are heavily lacking in Nicaragua and cause large Wild West forces on the lifestyle entrepreneurs. They all knew of the lack of formal institutions prior to arriving in Playa Gigante, but they all stated that their trust and optimism for better regulations has gone down as the political situation in Nicaragua progresses.

**Critical Concept 21** sought to find the inverse Critical Concept 20. With the lack of formal institutions and the lack of trust where they do exist, informal institutions became common and preferred. Among the entrepreneurs C3, C4, C6 and C8 professed many times that more formal institutions would mean more corruption, less control over their own business and a less efficient method of paying the government. “With only one corrupt tax official and a lack of regulated rules, we can focus on our business and not have to worry about political and regulatory changes.” Stated C1 in her interview.

Sometimes there were no formal institutions or regulations to follow. The most flagrant usage of informal institution was the usage of undocumented employees from other countries. As the transnational entrepreneurs were tapping their home country for cliental, they were also bringing employees from the home country to better connect with the cliental. With no formal regulations on how to hire, fire or maintain employees from other countries, especially when they are only there on a visitor visa, entrepreneurs have more leverage to run their business. While each entrepreneur established their own best ethos of hiring, they also participated in informal regulation as a community.

Digging a water pipe from the nearby access point and rerouting it to Playa Gigante was one of the first major communal development projects undertaken without the authorization of Nicaraguan politicians. “Here is a typical situation in Nicaragua, the community or individual undertakes a project on his own because he receives no aid from the government. Once the project is completed and people can see that it improved the quality of life for that person, the corrupt tax official steps in and barter for a higher tax rate.” Stated C8 as he reflected about the development of infrastructure in Nicaragua over the past years.

**Critical Concept 22** followed as the entrepreneurs were commonly reverting to mentioning corruption in their business plan and daily lives. C2 has recently relocated from a less corrupt

country, Costa Rica, and stated in his interview, “I try not to support corrupt officials because then it becomes common place and encourages them to do it more.” Besides C2, the other entrepreneurs, especially the ones that have been in Playa Gigante for a while, participate in corruption more often than they do with formal procedures and officials. The most common corruption was seen in the tax officials and police officers.

The tax official would ride his motorbike into the village once a month, on which ever day he could find time and gasoline to drive out there and go door to door collecting taxes. If no one answered the door he would walk around the place and search thoroughly for the owner. If he did not find them, he would search the village as he continued with the other entrepreneurs. If that relived nothing, he could barter for a higher rate next month. Once the owner was found, the common practice was to invite the official in, offer a meal and drinks. More than likely he’ll refuse unless it is his first inspection of the day. He will slowly write out a receipt of different paper every month, stating the entrepreneur has paid so much money. The typical tax rate was five Dollars in cash. While no one knew what the punishment would have been if they missed a few months of taxes, no one was willing to find out.

Police officers are even less trusted than tax officials. The police officers are paid hardly anything but must provide a majority of their gear and daily operating costs. Numerous road inspection sites are set up with higher ranking officers allowed to operate check points on frequently used tourist routes. The police officers will request a vehicle to pull over in the inspection area where the police officer will slowly go through the car looking for minor infractions. “The less infractions found, the slower the inspection. The less English spoke, the slower and aggressive the inspections are. The slower the inspection the more frustrated the vehicle owner becomes and could pay more to leave the site faster. If there are infractions, the vehicle owner could haggle with the officer some payment for payment of the fine,” stated C4 in his interview. C3 who travels to the airport in Managua to retrieve cliental from the airport and take them back to his business stated in an interview, “When dealing with corrupt police officers, or well any police officer, I always budget 5 Dollars, a glass of Coke and some chips for every thirty miles I drive. I’ve also placed an FSLN (the current political party) flag in my car and that has reduced the number of times I’ve been pulled over.”

**Critical Concept 23** With the extreme forces of corruption and uncertainty it could be possible to have difficulties adjusting to developing business environments. Whereas the new arrivals to the beach have better utilities and support networks to deal with developing environments, the original entrepreneurs had larger struggles as they had to pioneer methods of dealing with corrupt officials and less developed infrastructures.

In the end, making a profit was not seen as the most critical measure of success. Without the stress of increasing profits, a more relaxed attitude and business environment has been created.

**Critical Concept 24** There was a sense of culture shock as the transnational entrepreneurs moved from an environment where the government is there to support and serve the entrepreneur to an environment seeking to manipulate business owners and their ventures. Combining corruption with diseases seen only in tropical rain forests and an undeveloped health system caused minor adjustments and perspectives of the region.

“People who cannot handle the developing region will not travel here, will not like it, will not try to stay and live.” Stated C8, referring to a partner that left the surf lodge in its early days after being overwhelmed with home sickness and frustration of a less developed environment. He continued in his interview by stating, “Even if you cannot handle it, you will still push yourself and face difficulties on a daily bases. And you will continue to face those difficulties every day, just as the locals do.”

**Critical Concept 25** combines Critical Concepts 23 and 24 and seeks more results geared towards the business aspect of operating in a developing region. C4 has had the opportunity to live in similar regions so their response was extreme low. The rest of the cases admitted that no matter how relaxed they were as they started their venture in a developing region, they faced difficulties in adjusting to foreign business methods. Of the most difficulty were the language barriers and cultural perspectives on formal and informal regulations.

**Critical Concept 26** probed to measure the stress and mental health of the lifestyle entrepreneurs as they operated in a developing region. Although they knew of the adjustments needed to operate in a Wild West business context, they knew that that also meant extreme risk and uncertainty with the future. Although they have found a logic, a method of dealing with this

context, by utilizing effectuation logic in times of great uncertainty, they still suffered internally with great doubt and stress.

“No matter where I was started a venture, I would have a normal level of stress given the situation. Here in Nicaragua we have that normal level of stress then compounded that with the added stress tomorrow’s political and economical uncertainty,” stated C5 in the interview. C8 connected his high level of stress with the fact that he was an original entrepreneur in the area and did not have a healthy network of people and activities to alleviate the enormous amounts of stress. He pointed out again that one of his partners left the venture early because of stress and being home sick.

**Critical Concept 27** looked at the effects of operating in a Wild West environment. Although the entrepreneurs perceived their level of stress as higher than those operating in a developed region, and despite the frustrations with corruption and less developed infrastructure, they had a high level of satisfaction with life. As they were more focused on maintaining and enjoying their lifestyles, all the other side stressors were seen as hurdles to better enjoy their passion. Given the fact that they could enjoy their lifestyle at any time, their satisfaction levels are above moderate levels. C2 was the newest to the beach, whereas C6 and C8 were original pioneers to the beach. With these results it can be seen that satisfaction while operating a lifestyle venture in a developing region peaks after arriving into the area before it declines prior to departure from the area.

**Critical Concept 28** resulted from entrepreneurs discussing the Wild West forces and their level of satisfaction with their situation. It was interesting to see if they desired to operate away from those Wild West forces, or were those Wild West forces an attractive aspect of operating in Playa Gigante. Here an inverse of Critical Concept 27 can be seen. Where the Wild West forces become more understandable and comfort levels stabilize a desire to operate away from the uncertainty lowers. C6 and C8 stated that they desired to operate in a more stable environment if they decided to operate in a future entrepreneurial venture. They stated that although, satisfaction with life is higher in Playa Gigante, that the level of stress is too great to sustain over great amounts of time.



**Critical Concept 29** brought the interlinking of codes and categories during the grounded theory phase back to the effectuation process to see if the entrepreneurs were able to identify with the effectuation logic traits after discussing their Wild West forces adjustments and situations. Critical Concept 29 sought to find out if the entrepreneurs were using knowledge obtained through local business reports or through other people. Besides C5, all of the entrepreneurs preferred to and were successful at gathering business and personal information through their own network. C5 stated in the interview “With the high levels of corruption, I know it’s important to rely on the information you gather than gathered by someone else. At the same time, I find it hard access that knowledge with very little Spanish skills and a smaller personal network.”

**Critical Concept 30** sought to find where exactly knowledge was being obtained by the entrepreneurs. In line with the 3Ws of effectuation logic, all of the entrepreneurs preferred utilizing their own network before seeking out local or outside support. They used their networks to help predict future cliental, adjustment in local events, costs and tax rates. They also used their personal network to help cope with the high levels of stress. Psychological doctors and health centers are drastically underdeveloped. As the entrepreneur grew within the community they also relied on each other to pick up cliental at the airport, make joint trips to Rivas for food and supplies.

Personal networks were critical in maintaining a moderate level of health, supplies and information on the local business environment. No matter if the entrepreneur was utilizing their personal network out of preference or necessity they all tapped into a critical aspect of effectuation logic.

**Critical Concept 31** touched on the Affordable-loss principle of effectuation logic. The entrepreneurs in Playa Gigante invested the assets they owned and nothing more. With very little background in entrepreneurship and being young, the entrepreneurs had very little to invest in the first place. Banks would deny their attempts at a loan by claiming they have no capital to back their loan and/or the business environment is too hostile.

C7 was the only case that had a successful entrepreneurial venture in another area allowing him to sell off and reinvest the surplus into his venture in Nicaragua. Although in his interview he

stated, “I didn’t need to take all that money and invest it into my business, but as I’m the only one providing that service, I wanted to stem off any would-be cost under-cutters in the future. I have the option to invest a little extra to add extra protection from future competitors.”

Critical Concept 2 is closely related to Critical Concept 31 within the aspects of effectuation logic. Where the entrepreneurs did not invest a surplus of assets, they also did not see the need to have access to a surplus of assets in order to establish their venture.

**Critical Concept 32** continued to examine effectuation and how accessible those principles are to the entrepreneurs in this report. As unpredictable and risky the future is, all of the entrepreneurs never attempted to write a business plan. Nor did any of them plan of attempting to write one.

**Critical Concept 33** was a concept identified in the early stages of coding. After recanting their stories of becoming entrepreneurs in Playa Gigante, facing the culture shock, legal issues, risk and so many more Wild West forces, it became critical to understand their perception of risk. Being humble they all acknowledged the reality and had respect for it. Although they lived a very relaxed lifestyle, they all knew that they need to eat and survive. C3 stated, “Owning a business around surfing in this business environment is similar to surfing. Here on land, risk is a like a shark. You can never see it coming, and when it hits you, you’re going to have to fight for your safety and future. But until that shark or risk hits you, you’re having the greatest time of your life!”

After acknowledging the reality of failure, risks and unforeseen changes, they all calmly shrugged it off. In the interview with C8 she stated, “No matter what happens I can go home to the safety of family, friends and no debt. I started my own company from nothing in a developing region. That looks great on my resume.”

Critical Concept 33 during the early coding phases was discussed many time from every case. The concept will be linked later in the major concepts section in Chapter 5.4. The concept can be linked to every major concept as fear and risk are major aspect of any entrepreneur, not just lifestyle entrepreneurs. Fear and risk is also a huge aspect of transnational entrepreneurs as they add risk by venturing outside of their home country. In the Wild West context, fear and risks are

heightened. Therefore it is even more critical to inductively find a solution to the research question in this project.

**Critical Concept 34** probed the long term mindset of the entrepreneurs. With no written business plan it was difficult to gage what kind of profit seeking strategies they use. As with not having a business plan, neither did they have very distant goals. C3 had the most detailed goals and a few slight calculations. In his interview though, he admitted he felt the pressure from his uncle that invested some money into his venture. Besides C3, the community was working on a season-to-season mindset.

**Critical Concept 35 and Critical Concept 36** were asked knowing that all the entrepreneurs face the same problems and have very similar solutions. Although they seem to talk openly about their business practice, on some issues they were holding critical information back from each other. With respect to privacy they opened up during the research period.

In the end, they all face the same Wild West forces, rain forest and hurricane force weather. Not one single one had a large amount of capital to invest into advanced technology. Sociologists could be interested in the development of the community's solutions to these common hurdles, joint and individually. For critical hurdles the entrepreneurs come together and pool their efforts to find solutions. Ensuring every human has water, power, security and basic needs are social norms. If one person needed something the community was there to help. It was only slight business strategies and personal morals that varied. Cases on the south side of the beach preferred trucked-in drinking water. The cases on the north side shared free communal wells.

C7 was the only case that faced unique challenges. Since he was working in the fishing industry and originally came from a Latin country his experiences with the Wild West forces were a little less overwhelming.

**Critical Concept 37** was identified to confirm their self-awareness of their lifestyle. 2/3 of the older entrepreneurs stated with their children living with them that they had to sacrifice a little passion to ensure they could build a savings for their children. The rest of the cases interviewed, continually throughout the research period stressed the importance of placing passion before profit.

**Critical Concept 38** identified the original motivation for relocating to a developing economy. They knew of the Wild West forces that would be placed on them. They have all traveled to surf and work in similar areas before. In the end, they all wanted to work in a developing region or not at all.

#### 5.4 Axial Coding to Selective Coding

After identifying the 38 critical concepts, it was clear that certain concepts belong with each other and that by grouping them into major categories would be the best method to progress the research. The table below groups critical concepts through axial coding into the major concepts that later lead to selective coding and the theoretical framework. It is critical to observe in this chart two interesting findings. First, there is an unbalance of concepts the cases mentioned that fall into the Wild West group. Second that there was a large amount of traits and behaviors to deal with those Wild West factors. The underlying traits and process to deal with that was later found to be effectuation logic.

Table 5.3. Axial coding results

Major Concepts	Critical Concepts
Transnational Entrepreneurs	CC1, CC8, CC9, CC23, CC25, CC26, CC28, CC33
Lifestyle Entrepreneurs	CC11, CC12, CC13, CC14, CC27, CC33, CC37
Wild West Coping Strategies*	CC2, CC3, CC10, CC15, CC16, CC29, CC30, CC31, CC32, CC33, CC34
Wild West Context	CC4, CC5, CC6, CC7, CC17, CC18, CC19, CC20, CC21, CC22, CC23, CC24, CC26, CC27, CC28, CC33, CC35, CC36, CC38

\* While axial coding it was not known that effectuation logic was the critical aspect connecting the other major concepts. While grouping the critical concepts into a single group, this group was originally labeled “How to survive in the Wild West”

Selective coding produced a single category as the central phenomenon. That core category is the coping strategies deployed by the cases within the context of the Wild West. Selective coding enabled the discovery of linking effectuation logic with lifestyle entrepreneurs within the Wild West context.

## 5.5 Transnational Entrepreneurial Findings

In an era of increasingly rapid expansion of globalization, transnational entrepreneurs are one of the main categories of individuals to link global markets, international networks and cross-national partnership (Drori et al, 2009). Transnational entrepreneurs found in Playa Gigante continue to fall under the classification presented by Sequeira, Carr and Rasheed in their 2009 journal article titled: *Transnational Entrepreneurship: Determinants of Firm Type and Owner Attributions of Success*. The authors indicate that one type of enterprise known as elite expansion happens when the entrepreneurs use skills or products from the home country in the host country. In this case, the entrepreneurs are offering the skills such as surfing or fishing learned back home or importing and cooking North American meals to the beaches of Playa Gigante.

The cases in this study are well traveled and experienced in juggling a professional life, a social life and culture shock at the same time while starting a business. They have varying degrees of education and ethnicity. There are no common demographic characteristics of an entrepreneur. The cases studied here vary from prior military to high school drop-outs. They all shared the common traits of being transnational entrepreneurs. They were all successful. There are of course non-transnational lifestyle entrepreneurs around the world, but it must be presented in this study the important aspect of being a transnational entrepreneur. As discussed in Chapter 4, the transnational entrepreneur faces unique variables while creating a venture. That unique increase of difficulty during a business creation is a common shared experience. That trait linked each of the cases.

The evidence cannot prove that being a transnational lifestyle entrepreneur will always find success in developing economies. However, this research captured a snapshot of international travelers and business owners living their passion to the fullest and being successful. It takes a plethora amount of skills and energy to establish a business in Nicaragua. The hurdles are many and very often skewed. Other types of entrepreneurs, social or environmental for example may not be so successful just because they tried to be a transnational entrepreneur in Nicaragua. Therefore, to better understand: *How do lifestyle entrepreneurs create and sustain viable ventures while maintaining their way of life?* Further connections to link these successful entrepreneurs had to be made. Not only are they transnational entrepreneurs, but they are also lifestyle entrepreneurs.

With the additional evidence gathered during the field research period it became inductively clear that being a lifestyle entrepreneur given the context and environment could be better linked to success through a common practice or business model. Later in the chapter effectuation logic will be discussed as that action.

## **5.6 Lifestyle Entrepreneurial Findings**

Objectives C and D were created solely on unique facts discovered during research on the cases in Nicaragua.

C) to explore the realities of creating lifestyle ventures in Playa Gigante and the self-imposed limitations of venture growth the entrepreneurs operate within.

D) to inductively discover theories and practices to better prepare lifestyle entrepreneurs in developing economies for the future.

As it was demonstrated in the preceding chapters, the reality of creating a venture in Nicaragua is extreme. It's extremely cheap, it's extremely relaxed how entrepreneurs operate, it's extremely risky, it's extremely difficult, it's extremely corrupt and it's extremely fun. It's very rewarding. It can be rewarding with high returns on investments monetarily and spiritually. Entrepreneurs who are looking to operate with a business strategy by placing passion before profit could find Nicaragua extremely conducive to their business plan, if they have one. The limitations that Playa Gigante physically places on developers are extreme. Expansion of the beach would cost more than it would return. Without growth they will have to cope with the profits they can sustain now. As the interview findings show, the cases studied here are quite satisfied with that limitation.

With the lack of research available to lifestyle entrepreneurs that venture internationally to create their businesses, it was a critical objective of this study to better prepare them for the future. In developing regions, entrepreneurs found it harder to access resources and opportunities that would normally be available to them back home through their local chamber of commerce. Separating a business from opportunities and knowledge could be one downside for entrepreneurs in developing regions. This study is written to fill that gap. The comments, actions

and findings of this study could be paired with similar research to better equip future lifestyle entrepreneurs in developing regions.

With lifestyle entrepreneurship in rural regions estimated to increase in the future (Stone, 2007), government officials in developed countries similar to New Zealand and the United States of America may find it hard to increase taxes on these smaller ventures. A greater outlook is for less developed countries and rural areas. Lifestyle entrepreneurs may not be directly contributing to a solid tax base in Nicaragua because of corruption, but everyday they are bringing clientele from around the world to visit the country. The entrepreneurs demand little from the government and will act amongst themselves to ensure development projects are started and finished. These projects will last longer than the entrepreneur does in the area and will continue to better the infrastructure and lives of the locals around the beach. The developing government, the entrepreneurs and the clientele all gain by having these eight cases follow their passion in the Wild West context of Playa Gigante.

### **5.7 Wild West Findings**

In developing regions entrepreneurs must take into consideration extra costs and hurdles into their strategies that are centered on securing the necessary elements of life such water, power and food. Companies from developed regions have the time, resources and knowledge to fine tune their production capabilities and marketing plans. The lifestyle entrepreneurs of Playa Gigante are fine tuning their boat engines while digging a well to maintain their venture.

Business parks, government incentives such as property and other tax deductions can help attract an entrepreneur to a town in developed economies. In developing regions roads or pipelines to an ideal location will be the greatest incentives. Most micro and small ventures are completely naive to the luxuries they have by operating in a developed area. When they are inspired to open a store they can be certain the local government has supplied a water pipe, ensured its presence on the power grid and might have already paved a road near the location.

Land ownership has and will continue to be a critical issue for local authorities and thus for entrepreneurs seeking land to build their businesses. Whereas in a developed economical and political region property legal issues have been dealt with before the land sold. Operating under questionable property lines is an ongoing issue amongst the competing businesses in Playa

Gigante. When C6 and C8 bought the land that C1 now operates on, the land also covered the property C2 operates on. When C6 sold the land it was divided and the property line was incorrectly drawn by a few square meters to reduce the value of his land. When C2 wanted to construct a building in that area to aide his business but alter the landscape the community had to settle the issue themselves. They recognized the fault in the previous sale of the land and the property lines and reverted to the original lines created by C8. C2 couldn't build his structure in that area. It is the author's speculation, although no cases would ever confirm this, that since C2 was new to the area and preferred to not interact with the others as much as they hoped, that they ruled against him to show how important it is to be a communal member of the village. There are countless issues such as property line disputes that the community has to deal with in order to survive the Wild West context described in Chapter 2.

Informal regulations and rules have been adapted over the years in Playa Gigante. The Wild West environment and the laws by which they operate are unique to this area. The findings of this study found a community continually adapting to new rules and standards established by the local officials and the entrepreneurs themselves. The standard operating procedure between governmental officials and the cases was changing every month. Entrepreneurs dealt with community and outside issues continually. They also had unique Wild West attributes to their internal business operations.

A suitable internal work force is critical in order for a company to grow. Human resource departments in developed regions have the benefit of a plentiful selection of those with the proper knowledge, skills, abilities and other valuable tacit knowledge. Owners examined, besides C7, in this study continually stressed the concern for any company that employed over three local employees. Much more than that has not been attempted or thought about. As of now the local population lacks the basic skill set to assist their businesses much beyond cooking, cleaning or repairing a simple mechanical issue on the tour boat. Beyond that, such as management level positioning must be transferred to a new stakeholder from a developed region. That brings down another entrepreneur into the venture. Strengths of the previous business model are being continued but changes to a different industry are common. Surf camps turn into hostels and hostels upgrade to surf camps. Prior restaurants turn into trading posts. Synergy is difficult to



maintain and new systems of thinking and problem solving have to be developed to deal with the Wild West environment.

The greatest Wild West force on Playa Gigante and the cases is corruption. With a bleak forecast of improvement for corruption in the region, entrepreneurs will have to learn and adapt to the informal intuitions set down by the individuals at hand. One tax official or police officer may not be satisfied with you are offering and will squeeze more time, energy or money out of the entrepreneurs. As in C2's case, his stubbornness not to play by the local rules and submit to corruption forced him to hire a lawyer to only lose the property issue with C1. The community made the decision for C2 not to be able to build his structure on the disputed property line. The official stamp from the government came from a corrupted official that enjoyed dining at some of the case's establishments. He normally ate for free. Finally, Figure 5.3 below will visually demonstrate the Wild West forces which affect the entrepreneurs.

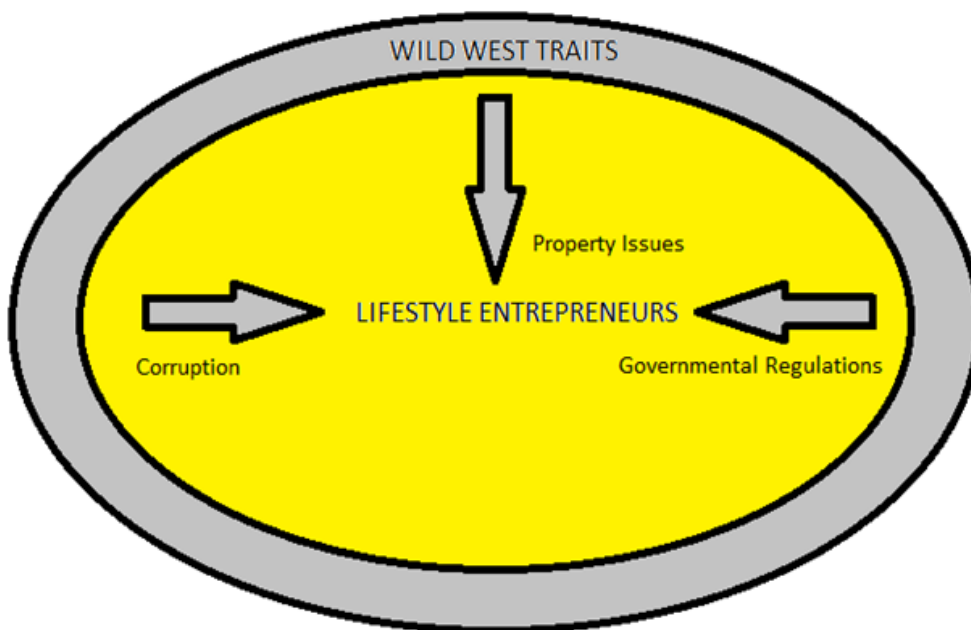


Figure 5.3 The Wild West affects on the Entrepreneurs.

Surrounded by the Wild West business context, lifestyle entrepreneurs are always battling the pressure of corruption, legal issues and governmental regulations

## 5.8 Effectuation Logic Findings

The effectuation logic process is to be used like a tool that the entrepreneur can access in times of great uncertainty. Without studying the cases' history it is difficult to conclude if the cases learned effectuation logic processes while in Playa Gigante or came to the area with that logic already instilled in them. The findings do on the other hand reveal that all of the entrepreneurs indicated traits of effectuation logic at some point in the research phase. They all seemed to process and execute those traits naturally when it was called upon them to work towards possible goals. While most goals were impossible to predict, the entrepreneurs were able to utilize the positive factors and partners at hand to ensure they were able to work, eat, survive and play in an environment surrounded by an ocean and a rain forest.

Effectuation logic has been linked with expert entrepreneurs and is continually being linked to other entrepreneurs. The findings of this study indicate a strong link between effectuation logic and transnational lifestyle entrepreneurs in Wild West environments. The entrepreneurs want to maintain as much control over their businesses as possible. While there are not a lot of investors in the first place, lifestyle entrepreneurs are content with investing a minimal amount of resources into a small venture.

While the entrepreneurs are patching together opportunities as the present themselves the future will continually seem bleak. With Nicaraguan elections being held in November of 2011, the future is increasingly changing. The opportunities that present themselves one day may not be the best solution for the informal institutions and governmental officials around the area the next day. The business models and methods created by the entrepreneurs may not be the best suited for the area. C3 and other cases mentioned the numerous pioneer entrepreneurs that they saw come to Playa Gigante, see how great life can be while living your passion and try to open a business, only to fail and return home. Making the best of corruption and other hurdles placed upon the cases is another tool of effectuation that they must use in risky situations. C1 learned fast that a hurdle such as a chauvinistic tax collector towards a female business owner is common practice in the area. She was able to use her prior military experience in Playa Gigante. While in the military she worked around a majority of aggressive men. C1 felt no power difference between the tax official and felt comfortable playing along with his flirting for a lower tax rate.

One of the greatest showcases of effectuation logic in Playa Gigante was C3. He was continually utilizing one or more of the principles at a given time to operate his trading post/restaurant/hostel business. The hammocks hanging on his restaurant/living room wall were for sale, but not at a profit. They were handcrafted from orphaned Nicaraguan children. The profits went to them. The surfboards and unicycle were for sale, and for a profit. He sold fireworks and anything else he could make a profit off to cover his costs. His years of local experience have been built on a strong foundation of stable relationships with the local governmental officials. Every opportunity he had to patch together a profitable solution to a hurdle or situation he jumped on. If a guest had skills to offer rather than cash, he used their skills. If he had to take a loss one month in order to ensure quality employees were hired he saw it as a personal investment into his business. C3's toolbox of experience and skills to operate a business was centered on effectuation logic. The other entrepreneurs had more a causal approach to solutions compared to C3, but by far less than lifestyle entrepreneurs in developed areas such Helsinki or Portland, Oregon. They could easily utilize the process at a given moment.

Utilizing the principles and practices of effectuation logic, entrepreneurs can better make use of the tools and variables around them in risky environments. Figure 5.4 below shows how the lifestyle entrepreneurs of Nicaragua can utilize the principles of effectuation logic to better control the Wild West traits engulfing their venture and the environment around them. The six arrows represent the six principles of effectuation logic discussed in Chapter 3.

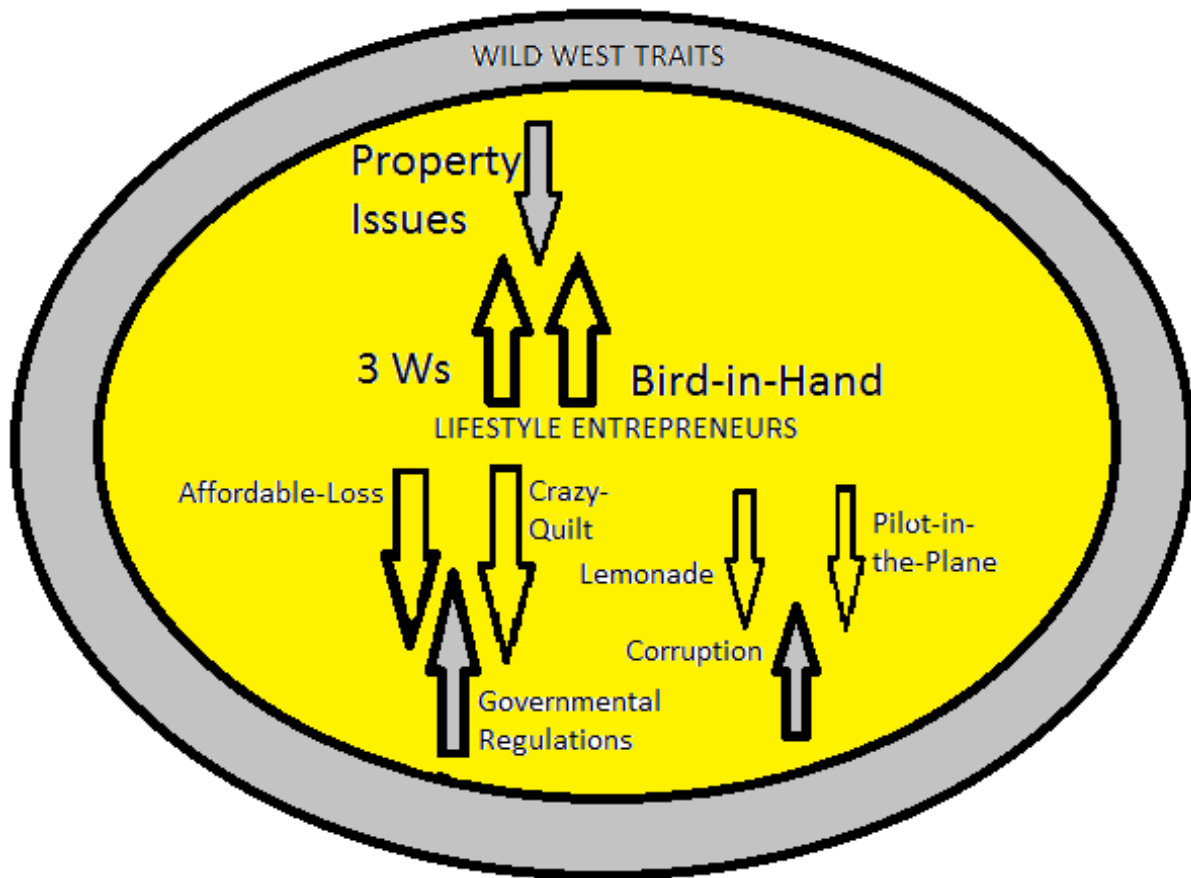


Figure 5.4 The Effects of the Effectuation Process by Lifestyle Entrepreneurs within the Nicaraguan Wild West context.

## **6. Conclusion**

Effectuation logic is a critical process for transnational entrepreneurs in the Wild West environment of Playa Gigante, Nicaragua. Not one single action can be contributed to the success of these cases. It is a conglomeration of thoughts and practices continually adapting to the risky environment of the area.

The results of this study are favorable for lifestyle entrepreneurs in the future. The literature review and field research agree that with the right attitude and a little luck, entrepreneurs will continue to find success in developing regions. Especially if they follow their passion will they be better able to adapt to significant cultural and political fluctuations in the future. With the addition of Ben's non-biased and professional critic of the local Playa Gigante and Rivas business environment, it can be concluded that the results of this study are accurate at the time of the research which was conducted in the summer of 2010, during peak tourist season.

### **6.1 Research Question Reexamined**

How do lifestyle entrepreneurs create and sustain viable ventures while maintaining their way of life?

By far the most important skill to master while operating in Wild West contexts is the ability to use effectuation logic when needed. In order to sustain their business, it was mandatory to use it on-site. All of the entrepreneurs operated within the hospitality sector and were exposed to vast amounts of people and knowledge from their home country and around the world. In order to reap the benefits of effectuation logic they had to be open to working with them, and at some points letting them control a part of the business. As was the situation when C3 let a guest with accounting experience take over and create a new accounting method for his venture in return for free room and board. In C3's situation, effectuation logic is a tool that can be used when opportunities present themselves. When situations and the future are a little more stable and predictable, other forms of logic and action can be used to maximize the opportunity. Effectuation logic though can be seen as the foremost important tool for people to use while facing the harsh uncertainty of developing regions. It helps them adjust their expectations of the business environment while helping them interact with new and different people, customs and

cultures. Holistically effectuation logic helps fill the gaps of uncertainty to better allow the entrepreneurs to continue their risky business venture.

## **6.2 Aim and Objectives Reexamined**

### **6.2.1 Was the Aim Accomplished?**

The driving endeavor of this research is to discover current facts and traits of lifestyle entrepreneurs operating in environments with scarce resources, an uneducated labor force, vast corruption, lack of infrastructure (roads, hospitals, police, fire, water and waste disposal), lack of formal institutions, lack of a local customer base, scarce technology access and an abundance of tropical diseases. Then to take that chaotic unsupportive business context and help understand and better problem solve solutions to better prepare future lifestyles and policy makers of developing regions.

Traits and skills of the lifestyle entrepreneurs in Playa Gigante are as vast as their background and the particular industry they operate in. Although there is strong evidence that there are some traits such as effectuation logic that all the cases in this study share. Within this study those traits have been proven to increase the chances of sustaining their lifestyle and business ventures. Within the context of the Wild West, every advantage an entrepreneur can grasp will be greatly appreciated when the daily business practices continually change as fast as the ocean tides surrounding Playa Gigante.

Each entrepreneur is operating a venture on their own and has individual goals. After this fact, this study has shown that by working together as a community with the Wild West context will increase the likelihood of success and personal satisfaction with the lifestyle being lead in the area. When police or an ambulance cannot respond to the area, the individual must depend on the support of those around him for assistance, even if that support is coming from a business competitor. In the Wild West small accidents can turn into life threatening tragedies if the community fails to act and support each other.

Throughout this study facts and traits shared and not shared among the cases have been examined and discussed. Given the harsh environment in which they operate and their vast backgrounds it was difficult to pinpoint a single common trait among all of the cases. It was not

until the research derived from examining their individual business models and strategies to observing the community as a whole and noticing their common outlook and reactions to events in the environment. The common logic shared among the different entrepreneurs has been proven to be a critical foundation for them to base their future business decisions off of.

### **6.2.2 Were the Objectives Met?**

- a) to explore the contextual factors impacting entrepreneurs in Playa Gigante, Nicaragua

Without a doubt, Nicaragua and the coastal areas such as Playa Gigante offer a quite difficult setting to foster a healthy living and business environment. Chapter 2 offers the best evidence to showcase the harsh region. Recovering from decades of war, Nicaragua is struggling to grasp democracy and international investment. The rainforests, natural disasters (including hurricanes, volcanoes, floods, earthquakes and more), small country size increase the difficulties faced by everyone there.

Not all aspects of Nicaragua are disheartening. The people and natural beauty of the country offer visitors and immigrating entrepreneurs everything they have to offer. Although the cases in this study are fearful of Daniel Ortega's reelection, communities are happy to see the influx of money coming in from other regions. The people of Nicaragua are friendly and supportive of international visitors and investors. The cheap land, resources and lack of governmental oversight offer every type of entrepreneur a blank canvas to start a venture.

The future context for Playa Gigante will remain the same over the few years to decades. The difficulty to expand past vast rainforests with little construction equipment and support will limit growth and increased revenue for those already in the village. Although the cases are fearful of future laws and rules being imposed by President Ortega, he has been in office for many years without pressing down on transnational entrepreneurs. The likelihood of him changing his policy is slight. Natural disasters will come and go as they have, but also remaining the same will be the people genuine openness and support of others around them.

- b) to investigate and establish the active coping strategies developed by the entrepreneurs in a potentially unsupportive business environment of modern day Nicaragua.

With globalization increasing and knowledge and goods being traded even faster than before, coping strategies to deal with the increase will have to be modified. Given the ever changing and unstable contextual variables presented to the entrepreneurs coping strategies have to be able to deal with a multitude of challenges. Those challenges can present themselves in their business, personal life or from the mental or physical demands of living in a harsh environment.

With such great adversity in hurdles, the coping strategies need to be holistic and flexible to conquer them. Efficiently being able to handle multi challenges is job for any parent, entrepreneur or active member of society, but it is in the face of great contextual variables, increasing globalization and opportunities that the cases have to be able to observe, process, plan and execute a feasible operating strategy. With great the unique aspects of Playa Gigante, what would be a sure successful plan in a developed region could fall apart in Nicaragua solely on the basis that it is still the Wild West.

Effectuation logic has been discussed in great detail as beneficial coping strategies in the Wild West. It is also important to notice the finite strategies the cases take in dealing with themselves, the locals in Playa Gigante and the business environment of Nicaragua. Success has been attributed to working as a community in the Wild West. C2 which has been reluctant to adapt to that thinking will learn quickly to adapt or fail. A healthy balance between work, play and family is critical. As the entrepreneurs prefer the lifestyle benefits over social or financial growth, they have found themselves less depressed and more productive by following their passion. All of the entrepreneurs share the trait of being more relaxed and accepting of unforeseen challenges. They accept they are the foreigners that will not make a lot of money, that natural disasters will happen, that tomorrow is as more uncertain in Nicaragua than it is anywhere else and that they are not making a sacrifice to live in Playa Gigante. They are gaining experience- personal, spiritual and intellectual. All that gained experience will increase their success for the future with a more finite strategy of coping with the Wild West.

- c) to explore the realities of creating lifestyle ventures in Playa Gigante and the self-imposed limitations of venture growth the entrepreneurs operate within.

Starting a venture in Playa Gigante is extreme. As discussed before, there are many contributing factors that can range havoc on the entrepreneurs. Since the family and entrepreneurs live in the



same building as their business, every aspect of life is tied together. With realistic insight beforehand, hopefully thanks to studies like this, the reality of starting and sustaining a venture in the Wild West is real. Entrepreneurs do not need extensive business backgrounds, a lot of start-up cash or be of a certain heritage, race or sex. If the entrepreneur can go into the venture knowing that extreme flexibility is necessary and that there will be tremendous challenges then the entrepreneur will be better prepared for the realities of Playa Gigante.

Understanding just how difficulty the Wild West is combined with not being forced to produce high net profits over other success factors has been a huge contributing aspect in the happiness and success of the cases studied here. Having spent time in Wild West environments as tourist or employee at one point in the past before starting a business there, the cases could fully appreciate the task they were trying to accomplish. They were honest with themselves and the expectations they set while creating their venture. Without daunting business plans and loans to pay back, the entrepreneurs can work at a pace they see fit. With only themselves and families to satisfy they were more relaxed and content with life and their profession than they ever have been. They would sacrifice tangible rewards for amore holistically happy life.

The control they had over their own company without outside investors, along with the laissez-faire attitude of the government meant growth and profitability was completely in their own hands. There were the physical and environmental growth limitations as discussed before

- d) to inductively discover theories and practices to better prepare lifestyle entrepreneurs in developing economies for the future.

This study was written to assist lifestyle entrepreneurs themselves. With a detailed look at effectuation logic and with the current data from Playa Gigante, beneficial knowledge was contributed to the community itself. It is suggested also that entrepreneurs can utilize this study by examining their own logic and approach to starting a business, especially if the given context is highly uncertain and is filled with greater risk.

## **7. Evaluation of Process and Suggestions for Future Research**

As C3 stated in a conversation, “It's amazing how the pace of life and business changes away from the city. Here we eliminate commuting to and from work twice a day. We sleep hard from being hot during the day. We don't need nine hours of restless sleep when we can get a solid seven. You add up all that time and it allows you to relax in a hammock during the day. We still get our work done, we still get ample amounts of social time. When you actually live away from the city and within nature, you almost do become one with nature. Your body clock and schedules adjusts to it. You sleep better and your health syncs up with nature. Nature will never be conquered. We get bug bites and little itchy red marks to remind us. As long as you're here, you'll always get bit; you just get use to them as everything else has. Business life is completely different down here. You work with nature and the flow of life. That results in less stress, less burn out.”

### **7.1 Evaluation of Process**

As the process was conducted in an isolated developing region of Nicaragua it had a few limitations to contend with. The lack of technology would be the biggest challenge. Given the harsh conditions the entrepreneurs operate in, the research methodology was only to be expected to be as harsh. Without vast knowledge databases (Internet, libraries and research centers) at hand to help postulate emerging theories, it was difficult to adapt a methodology once committed to the survey and interviewed the entrepreneurs. It would have been nice to have the luxury modern researchers have typically with the aid of high speed internet and cell phone coverage. Research conducted in Playa Gigante could mirror the expeditions of researchers such Lewis and Clark exploring the American Western frontier in 1804 to 1806.

They traveled the Western region of the early 19<sup>th</sup> century in the United States, before it was wild. No explorers have previously attempted such a feat. They discovered completely new species known to the modern world, Native American Indian cultures and political systems as they crossed the continent. They had to measure and record facts with great detail to help build a strong foundation of knowledge in order to encourage future explorers and political support for expansion. The research conducted in the isolated environment of Playa Gigante strived to be conducted in the same rigor as Lewis and Clark's expedition. When the power was turned off in

the village for sometimes the entire weekend, there was no power for the computer to record interviews. It became necessary to write down interviews by candle light as the animals from the rain forests roamed down to the sea front. None-scheduled, none-structured interviews would start from general conversations among the entrepreneurs as they gathered and tried to find the lighter side of living in a developing world. As they had to be innovative to start their businesses in such harsh environments, the research still needed to be gathered if there was electricity or not.

Post field observations with the former Peace Corps volunteer, Ben Patterson, was easier than gathering data from a developing region. With the assistance of the internet, locating an expert with first hand entrepreneurial knowledge of Nicaragua was straight forward. A search of local entrepreneurship groups, university faculty and Peace Corps groups identified the most knowledgeable expert of the current environment in Nicaragua within a hundred kilometer radius. While it could be argued that he is not a lifestyle entrepreneur, his more holistic understanding of the context in its entirety brings a deeper understanding to the environment this study was conducted under.

After the cases and Ben started mentioning the same themes throughout their interviews and observations it became apparent the ultimate theories have emerged. Using an effectuation logic process is how entrepreneurs within the Wild West context create and sustain their lifestyles. With the gained knowledge the process changed from field work to a dedicated schedule to analyzing and conveying the data.

## **7.2 Suggestions for Future Research**

This research project can be paralleled to the current day lifestyle entrepreneur in Wild West environments all over the world. Hard work, innovative problem solving and a lot of passion went into completing this project. Hard work as the research demanded three months of unobstructed and isolated embedded research. Innovativeness was critical while conducting research under what were sometimes 19<sup>th</sup> century conditions. Unique data to explore demanded a lot of time and passion to invest into the process. Suggestions for future researchers are positive and should hopefully encourage more scholars to investigate business models and coping

strategies that are created to sustain a lifestyle. Scholars should also be keen on finding out the cognitive traits of:

What aspects of the Wild West are affecting entrepreneurs as globalization continues to grow? With globalization being a huge factor in the success of these transnational entrepreneurs, any changes in the way people communicate and move around the globe will have drastic consequences on them as well. Globalization will not only shape the entrepreneurs and their businesses but it will also influence the context in which they work and live. The politics of the Wild West can no longer hide from international pressure to adapt and ensure basic human rights that are missing in parts of Nicaragua. Cheaper methods of constructing infrastructure will benefit both the local villagers and the entrepreneurs. One would only expect that the increase in globalization and free markets will aid the entrepreneurs.

Finally there was always a pressing question while conducting the empirical and literature data for the study. Do entrepreneurs in developing regions that exhibit traits of effectuation logic obtain that logic prior to arriving in the Wild West, or are they naturally born processing their environment in that fashion? This study is as focused on the research question posed in the beginning. Keeping the findings current with today's context of Playa Gigante made it difficult to delve into the history of the entrepreneurs as much as one would wish.

It is with one final thought that this research is left on. As with every entrepreneurial venture, the data and context of this study will be forever changing. It is highly suggested that the audience of this paper to continually explore and be open to low profit ventures like the ones in this study. Although they not as fashionable as Steve Jobs and Facebook tycoons, they show the research world what is at the foundation of creating any venture: passion and adventure.

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