

# ***THE ENTREPRENEURIAL PROCESS: AN ANALYSIS IN TERMS OF STRUCTURATION CYCLE***

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## **Abstract**

This article is part of research on the entrepreneurial process. The state of the art brings up little work mobilizing structuration theory (ST) to understand this process. Based on recent developments of this theory (Stones, 2005), we conducted a study of the process of creating a new airline company. The objective of this study is to link the agency and structures to understand and analyze the entrepreneurial process.

**Keywords:** *Entrepreneurial process, Stucturation cycle, opportunity*

## **Introduction**

Structuration theory (ST) proposed by Giddens (1984) and recent developments (Stones, 2005) provide interesting insight into entrepreneurship as a process. The central concept of ST is the duality of the structure that reflects an intermediate position between determinism and voluntarism in the study of the entrepreneurial process. This central concept suggests a reciprocal relationship between practices located in specific contexts (the social system) and the underlying virtual principles (social structures) generating such practices. Based on these developments, this paper presents the study of the creation of a company in the field of air transport by mobilizing the concept of structuration cycle proposed by Stones (2005).

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The aim of this paper is to analyze the influences of social structures on the process of entrepreneurship, by mobilizing the structuration cycle concept proposed by Stones (2005). Which social structures are mobilized by the entrepreneur during the entrepreneurial process? How those structures are drawn upon by the entrepreneur during the process?

Stones responds to the criticisms of ST by proposing a meso-level of analysis that makes it possible to connect the abstract level of structuration theory concepts and the empirical and practical level of social practices. This meso-level of analysis concerns the way in which it is possible to talk about the abstract concepts of ST in terms of relative degrees. Methodologically, the introduction of this meso-level of analysis requires, in our opinion, the development of a description, a detailed analysis, in order to study the concepts in terms of a relative degree. By using the cycle of structuration proposed by Stones (2005) to analyze our case study, it is possible to study the relevance of this framework for research in entrepreneurship.

The fieldwork was conducted by interviews and document analysis at the beginning September 2014. Moreover, this method seems to be the most appropriate method to analyze the situation in accordance with the theories mobilized.

To draw this introduction to a close, the remainder of this article is organized into five parts. In the second part, we present the theoretical framework that allowed the analysis of the case, based on the developments in ST proposed by Stones (2005). The next section specifies the methodology while the fourth part analyzes the process of entrepreneurship, in a longitudinal way. The fifth section discusses the contribution of Stones (2005) concept of structuration cycle for entrepreneurship research before concluding our study.

## **A theoretical framework based on the concept of structuration cycle**

The objective of this section is to present the conceptual framework mobilized to study the entrepreneurial process. The purpose of ST (Giddens, 1984) is to understand the social practices

carried out in time and space as the link between the actions of individuals (their ability to make choices, knowledge) and structuration or reproduction of social structures.

The “structural” is conceived as a collection of rules (prescriptive elements and codes of meaning) and resources (authoritative resources, which derive from the coordination of the activity of human-agents, and allocative resources, which come from the monitoring of material objects or aspects from the material world) used recursively in social reproduction. The institutionalized characteristics of social systems have structural properties that stabilize social relationships in time and space. This structure exists only during its realization in practices that make up systems. The structure does not exist independently of the knowledge that the agents have of what they are doing in their every-day activities (Giddens, p. 76). Giddens’s theory is based on two main concepts that emphasize that the constitution of agents and the constitution of structures are not two independent phenomena (Giddens, 1984, p. 75).

- The duality of the structure indicates that social structures are made up of both human action and the medium of this human action. Institutions are both the means and the result of the actors’ action: they define both the rules – techniques, norms, or procedures – guiding the action and the resources that enable the action to take place.
- The concept of structuration emphasizes the process by which the agents reproduce social practices in time and space. The actors use existing structures to carry out actions that change or reproduce these structures (structuration cycle).

The aim of ST is to understand the social practices carried out in time and space. The structure makes it possible to generate these practices. Three dimensions of structures, as well as rules and resources, are identified.

- Signification: the rules provide schemas of interpretation that enable actors to interpret situations and communicate.
- Legitimation: the rules provide norms that sanction the practices.
- Domination: allocative and authoritative resources make it easier to exercise power.

According to Whittington (1992), the conception of structures as rules and resources provides a framework that makes it possible to analyze different social influences on managerial action. Managers can selectively call upon structural properties during the action or skillfully use the tension existing between diverging structural principles.

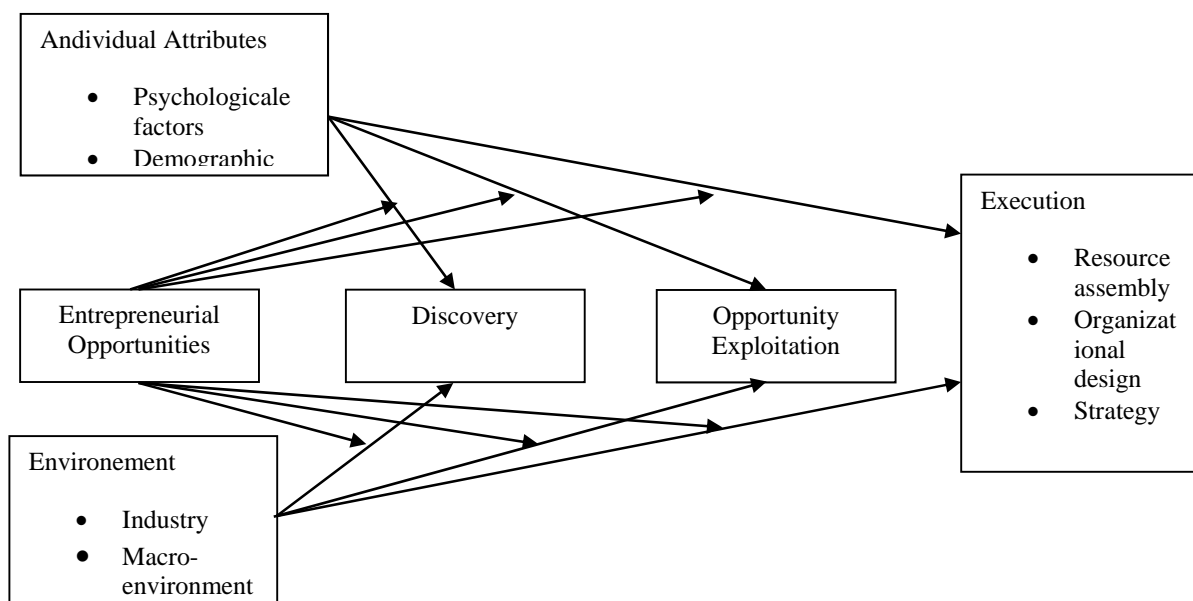
“Agency” refers to the actions carried out by individuals in social contexts and takes place as a continuous flow of action. As a result, the actors cannot think or make conscious choices about their behavior for each event that occurs; they monitor the social context quite regularly and respond in terms of an implicit stock of mutual knowledge. In this way, the action reproduces existing structures. When they act, the actors rely on particular aspects of domination, legitimation and signification structures by various means. The action can sometimes change or even radically alter social structures. “Any act that contributes to the reproduction of a structure is also an act of production, an innovative undertaking and, as such, can initiate change by modifying and reproducing the structure at the same time” (Giddens, 1976, p. 128). The perspective of duality helps to understand the way in which embedded agency can occur (Kilfoyle and Richardson, 2011).

### **Structuration Theory and the entrepreneurial process**

The process approach presents an interesting perspective (Gartner, 1985, 1988). It has become the epicenter of entrepreneurship research (Fayolle, 2004). The study of Shane and

Venkataraman (2000) enrolls the opportunity at the center of the entrepreneurial process. The analysis of the literature allows us to distinguish two main schools of thought on entrepreneurial opportunity, namely, the discovery of opportunities and the creation of opportunities. For the first stream of research, the opportunity has an objective existence independent of the entrepreneur who discovers it (Herron and Sapienza, 1992; Shane and Venkataraman, 2000; Shepherd and DeTienne, 2005; Baron and Ensley, 2006). For the other stream of research, the creation of opportunity remains a subjective process, the result of a process of social interaction between the entrepreneur and its context (Bouchikhi, 1993; Sarasvathy, 2001; Sarason et al., 2006; Chabaud and Ngijol, 2010; Garud and Giuliani, 2013; Alvarez and Barney, 2013).

Nevertheless, we still have a limited understanding of how the context influences the identification and exploitation of opportunities (Davidsson et al., 2001; Zahra and Dess, 2001; Shane, 2003, 2012; Baker et al., 2005). Shane (2003) provides a conceptual framework (Chabaud and Messeghem, 2010) to understand the entrepreneurial process. It highlights the relationship between the entrepreneur and its environment during the entrepreneurial process, emphasizing the role of interactions between the individual and the context.



**Fig. 1:** A model of entrepreneurial process (Shane 2003, p. 11)

The model proposed by Shane (2003) remains deeply marked by an analysis of entrepreneurial opportunities resulting from the work of economists for whom opportunities have an independent existence of the actors. In this article, by mobilizing ST, we are part of the stream of research (Chiasson and Saunders, 2005; Buenstorf, 2007, Venkataraman et al, 2012.) that attempt to overcome the dichotomy between these two streams of research.

ST can be mobilized as a theoretical framework to reconcile these two approaches. The duality of structural designed to reconcile the recognition and the formation of an opportunity by considering them as two complementary processes occurring simultaneously (Chiasson and Saunders, 2005). However, few studies in entrepreneurship mobilize ST.

The conceptual framework introduced by Bouchikhi (1993) points out that the results of the entrepreneurial process cannot be analyzed solely from the characteristics of the entrepreneur or of its environment. The framework, built on ST (Giddens, 1984) offers an interesting perspective to understand the entrepreneurial process with interrelated dimensions that are the action of the entrepreneur (his features and characteristics), the environment, unforeseen events and past results (Bouchikhi, 1993).

Jack and Anderson (2002) use ST to study entrepreneurship as a socio-economical process. This theory allows us to understand how social structures constrain or empower entrepreneurial activity, particularly in terms of rules and resources (Jack and Anderson, 2002).

Sarason et al. (2006) use the structuration theory to understand the entrepreneurial process. Their research is an extension of the work of Shane and Venkataraman (2000). The entrepreneur and

the social system co-operate to create a new company (Sarason et al, 2006). According to these authors, the significance of the structural dimension is crucial in the discovery of entrepreneurial opportunities. When evaluating entrepreneurial opportunities, legitimation dimension is emphasized. The domination dimension is most applicable during the exploitation of entrepreneurial opportunities. With the exception of Bouchihki (1993) and Jack and Anderson (2002), research mobilizing ST remain limited to theoretical propositions without relying on empirical case studies.

Mole and Mole (2010) consider that ST is not the most relevant theory for understanding the relationship between the opportunity and the entrepreneur. They prefer the critical realist perspective developed by Archer (1995). In response to these criticisms, Sarason et al. (2010) note that each theory reflects a different understanding of the relationship between agency and structure. Recent developments (Stones, 2005) of structuration theory aim, in particular, to respond to criticism of Archer (1995). In addition, by mobilizing these developments (Stones, 2005), we can go beyond the traditional debate between the two approaches for the opportunity to oppose; and examine the external structures that are the sources of opportunities and internal structures that enable the discovery of opportunity within the meaning of Stones (2005).

### **The concept of structuration cycle proposed by Stones (2005)**

The work of Stones (2005) has made possible the analysis of our case study. The aim of these developments is to form a connection between the abstract concepts proposed by Giddens and concrete phenomena in specific contexts, by introducing a meso-level of analysis. As Englund et al. (2011, p.506) have pointed out, the ideas contained in ST are a starting point for understanding the reproduction or transformation of practices but do not provide any specific

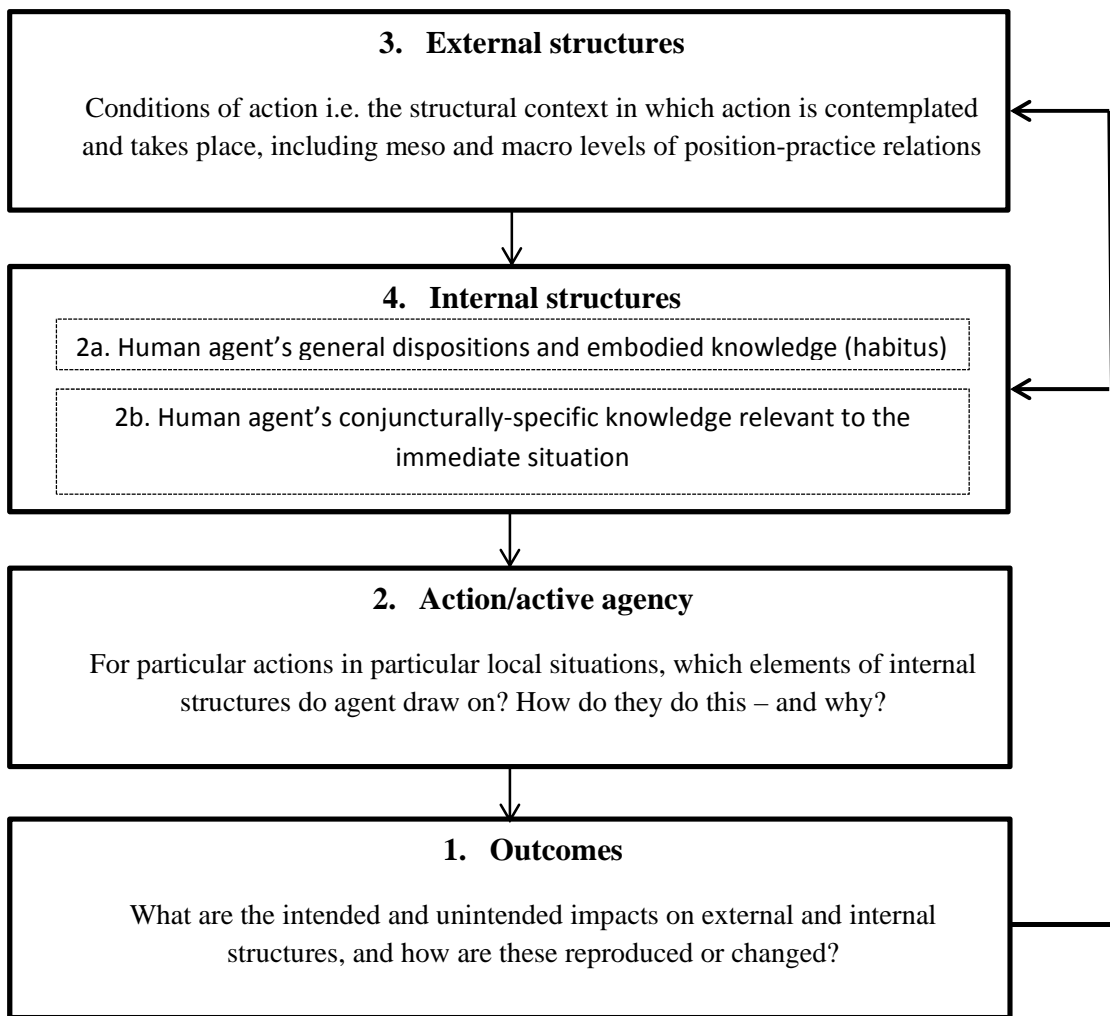
orientation on the way in which particular practices in various structural contexts should be studied and theorized.

The meso-level proposed by Stones (2005) reflects the way in which it is possible to speak of abstract concepts in terms of scale or relative degree. For example, this meso-level makes it possible to speak of the degree of knowledge or critical reflection of actors during an action, the number of available choices, the more or less restrictive character of the social structures, etc. Stones refers to Giddens's argument: social structures serve as a medium for the action by providing, thanks to memory, the basis that the agents can rely on when they are engaged in social practices. In order to clarify this meso-level of analysis, Stones uses two concepts: position-practice and the structuration cycle (or the four aspects of the cycle of structuration).

The concept of position-practice is similar to Giddens's concept of social position with its subgroup of institutional roles that refer to prerogatives, aptitudes, and resources, as well as norms and obligations that an exercising actor produces and reproduces in a specific social position (Stones, 2005, pp. 62-3). These relational, social, and practical positions appear as properties that emerge from past practices and as pre-existing conditions of future actions. Once established, these positions, as well as the relational practices they involve, become independent of the particular human actor who reproduces or transforms them.

The structuration cycle concept makes it possible to establish the interplay between structures and action during structuration. Stones (2005, p. 84) analytically distinguishes four aspects that are separate but connected to the duality of the structure.





*Fig.2. The quadripartite nature of structuration (Stones, 2010)*

The external structures, as conditions of the action, have an autonomous existence compared to a particular agent (Stones, p. 111). They involve relational positions and practices. This is the structural context of that action, which the actor has to face. These external structures may constrain the agent or provide him or her with resources and abilities such as making up unknown

conditions for the action and leading to unexpected consequences. In order to explain this concept of external structures, Stones (2005, p. 62) refers to the analysis by Thompson, for whom institutions, conceived as regulated practices that are deeply rooted in time and space, pre-exist and outlive the existence of individuals who reproduce and, as a result, may resist to manipulations or changes in a particular actor.

Internal structures are analyzed using two components: conjuncturally specific internal structures and those related to the general tendency or habitus. These internal structures refer to the knowledge of social structures to which the actor has access during the course of action. This knowledge or stock of knowledge, focusing on rules and resources, can have a generally applicable and transposable character but also one that is specific to the circumstances of the actions of the actor and the others. This concept of habitus makes it possible to emphasize that the actor interprets the external structures in terms of general tendencies, which are understood as a system of lasting and transposable tendencies which, by integrating all the past experiences, act in each moment like a matrix of perceptions, assessments, and actions, and makes it possible to accomplish infinitely differentiated tasks, due to analogical transfers of schemes allowing for the resolution of problems of the same type and due to the incessant correction of obtained results, dialectically produced by these results (Bourdieu 1972, p. 261). The knowledge that temporarily makes up specific internal structures can be divided analytically into the three structural dimensions proposed by Giddens, i.e. the knowledge of interpretative schemas, relationships to power and normative expectations within the context of the actor.

The active agency includes the way in which the actor routinely or, inversely, critically and strategically, calls on its internal structures. The action of the agent is based on a combination of the categories of internal structures. However, what the actor does cannot be reduced to his or her

social position or tendencies. According to Stones (2005, p. 101), five aspects of the action must be emphasized: the temporal view of the action; the possibility of creativity or improvisation during action; the different levels of critical distance from the actors in relation to internal structures; the conscious or unconscious motivations that influence the way in which the actor calls on internal structures during an action; and the multiplicity of projects attached to different roles and statuses.

The result of the action can be analyzed in terms of reproduction or modification of the structures of signification, domination, and legitimation. External and internal structures may be reproduced or modified by a learning process and provide the foundations of future actions. This result can have expected or unexpected consequences for the actor.

Analysis of Stones (2005) assumes interest in the contextual elements that that have facilitated or constrained the action of the entrepreneur, but also how it has actively engaged these contextual elements during action. This is the purpose of the analysis of the creation of a new airline in France that is presented in the following sections.

## **Research methodology**

The goal of our research is to study the entrepreneurial process as constituting social practices. Pozzebon and Pinsonneau (2005) retain three core elements of ST to guide empirical research: the embeddedness between practices and structures, the account of time and space in which practices take place and the reflexive monitoring of the actor. However, as Giddens (1984) suggests, from a methodological point of view the researcher can give priority to an analysis of the skillful and knowledgeable actor or, inversely, an analysis of structures produced and reproduced in time and space. It seems that favoring one orientation may involve the risk of forgetting the dualism that is at the heart of structuration theory. Stones (2005, p. 81) gives

particular emphasis to this point. The investigation of the process of structuration from an empirical standpoint must approach, at least to a limited extent, a combination of hermeneutic and diagnostic of the structure. From a methodological standpoint, this presupposes that the agent's conduct (her knowledgeability, her reflexive monitoring) motivation be distinguished from the context analysis, in terms of knowledge of conjuncturally-specific internal structures. The quadripartite nature of structuration leads to the study of the influence of external structures and to the examination of how they interact with the internal structures of agents in the context (Coad & Herbert, 2009, p. 189).

Consequently, process studies seem appropriate when ST provides the theoretical framework of research. Process studies produce explanations in terms of sequences of events leading to an outcome (Langley, 1999, p. 692). The research methodology adopted for this article is part of a narrative strategy based on the study of the creation of a passenger airline. A qualitative method was used in this study based on the semi-structured interviews. An interview guide was developed to meet the concepts from the theory and literature. Two hours of interviews were conducted with the entrepreneur beginning September 2014; documentary data were collected and videos and news websites were consulted. The interviews were recorded with the consent of the entrepreneur.

The analysis of the interview reports and documents was based on the methods and data presentation formats recommended by Miles and Huberman (2003): condensation of data, presentation of data, and development of results. A glossary of important terms made it possible to establish a list of codes used to analyze the interview. Coded data were presented with the help of conceptual matrices. As pointed out by Miles and Huberman (2003, p. 231), the objective is to group together research questions in such a way as to produce meaning more easily. The

conceptual matrix was designed according to two axes. The first axis concerns the different stages of the entrepreneurial process as introduced by Shane. The second identifies structural elements of the context described by the entrepreneur and the action he made. The conceptual matrices are based on the four elements of the structuration cycle proposed by Stones.

From these levels we have established an analytical framework to encode the data collected. To perform this encoding we went back and forth between the data and the theoretical and conceptual concepts. The study of the temporal anchoring points is formed by the various phases of the business process proposed by Shane (2003). Each of these phases has been the subject of an analysis consistent with the theory proposed by Stones (2005) and distinguishing external structures, internal structures, active agency and results. Analyses have been presented to the entrepreneur during a second interview to support the conclusions presented.

### **The entrepreneur and his Project**

Yvelin Frantz, 38, took the controls of an aircraft for the first time at the age of 15 years, before getting his commercial pilot's license at 21. He continued his career as a consultant in IT and founded the airline "L'avion". After selling this airline to British Airways in 2008, Frantz left the company in late 2009, and then worked as a consultant in the airline industry. In parallel, he also taught at the French National School of Civil Aviation (Air Transport Economics), before deciding to start "La Compagnie".

*"I'm a pilot, I know how to fly an aircraft even if our pilots are better than me in this; but I know how to fly an airplane. I am qualified in piloting different kinds of airplane. I have hundreds of hours of flights. I am passionate about this business. I think that passion is at the heart of a business and this is true regardless of the business. I am son and grand-son of civil servants,*

*Mom worked for the Home Office and my dad was an engineer in the car industry. My sister is a champion in riding horses which has absolutely nothing to do with airlines”.*

In January 2007, when he was 30, Frantz Yvelin changed the European airline industry by launching “L’Avion”, a new company providing business class service between Paris and New York. After eighteen months of operation, British Airways made an offer that the entrepreneur and his associates could not refuse. In July 2008, “L’Avion” became, in the hand of British Airways, Open Skies. The airline still remains, but the brand has disappeared. Frantz Yvelin already founder in 2006 of the former airline “L’Avion”, decided, in 2010, to create a new airline. "La Compagnie" offers, since July 2014, a low cost business class service between Charles de Gaulle airport and Newark.

*“I believe that the success of L’avion helped me to convince both passengers and partners and reassure my credibility. But having already started a successful airline sucked helped me opening some doors. Opening doors is one thing but we must try and realize it's not always easy”.*

## **Introducing La Compagnie**

On July 21 2014, the new “La Compagnie” (the brand name of DreamJet) inaugurated the Paris-CDG-Newark route in B757-200. The 74 Business Class seats will be offered with specific reduced prices that are “35% to 65% lower than the competition”. The ambition of Frantz Yvelin is not to compete with the best business class service offered over the Atlantic Ocean: “*We just want to offer the best value for money.*”

## **Period of analysis**

The history of the company began in October 2013, starting with DreamJet. Thanks to its teams of professionals and recognized experts in air transport, La Compagnie was officially launched June 16, 2014.

## **The structuration cycle in practice**

In accordance with the analysis of Shane (2003) and Stones (2005), this part introduces the case by presenting the context of the business and the stages that led to start the airline.

## **The context**

The purpose of this section is to highlight some aspects of the context and its evolution during the period of analysis. These contextual elements are important for the analysis of the structuration cycle by promoting or limiting the scope of action of the entrepreneur.

## **The political and social context**

*“I do not politicking, I'm leading a business. my task is to adapt the operations to the regulations, we have our ideas, we have our opinions, I think it keeps for us, as I say to all employees of the company is not involved in politics in the walls of the company. Now as a business owner, the only point that I would like to make is that of taxes in the broad sense, it is true that today the burden of payroll taxes it's too high. The lack of flexibility we have today in France does not necessarily favors the start a business, there are many obstacles to that level that can, I sincerely believe, be improved. However, I am not at all shocked by the taxation of million euros wages, for me it does not shock me at all. So it does not matter if I'm right, left or center whatever, but what matters is my opinion on economic issues. I am one of those people who are in love with the world of business, I'm lucky to have on my side investors and shareholders who are themselves*

*true entrepreneurs. Beyond our political preferences, we all love the company and love of businesses. When I am proud of something in La Compagnie, I think everyone is aware of it”.*

### **The regulatory context**

*“Firstly, I asked two questions. Can I do what is mandatory for the business? My second question is usually about the resources I need and how I'm going to find them. That's really the two basic barriers to start a business. Why? Because the first barrier is the regulatory one; I can go beyond it if I have a collective expertise. The second barrier is that airlines cost money, when starting a new airline we need to meet the standards of the regulation and the States, not only the French one but also the European Union”.*

It is important to convince the economic authorities of the benefits of the new airline for the customers. *“Before we launched the new business, a round-trip business class ticket could cost three to four thousands euro. With La Compagnie you can have a round trip business class between Paris and New York for a little more than one thousand euro and is a true business class even if it is a low-cos one. Today you no longer need to choose between comfort and price; you can have both the price and comfort at the same time. I explained these to the authorities, especially the Civil Aviation Authority. They are always sensitive when you explain that the new airline will benefit the customers. Generally speaking, French and US Civil Aviation authorities listened to us. They did not help us but they did not try to slow down the process”.*

*“But it's still difficult as airline industry is a strongly regulated activity. They told me that we need a license and for that you must have the resources; then you must get the flight certificate from French or European Authorities, but to have the certificate, you need a plane first ... I get the plane, but they said they were sorry because between mid-July and mid-August the inspectors are on vacation”.*



La Compagnie received June 27, 2014 from the French Civil Aviation Authority (DGAC) its operating license and its airline certificate.

*"La compagnie officially became a regular European air carrier. When I received those documents I was very pleased as it is a mark of the quality of the work done by the staff. It shows that State Authorities encourage entrepreneurship even in a highly regulated industry".*

These documents, required to run an airline, confirm that La Compagnie has the legal, financial and technical guarantees to perform air services and comply with the stringent criteria set by the regulatory authority.

*"There are different government agencies with which we worked in the United States, including the transportation Security Agency ... the American authorities were quite nice, we were able to talk with them. They took a few days to send me permission and the TSA agreement for safety. Finally, the FAA gave me the certificate for operating our aircraft".*

*"I get the license for operating in the United States. It took 4 or 5 hours, which is a record at the international level because of the open sky agreement Europe and the United States which simplifies and facilitates this kind agreement".*

*"Then, I contacted the French association called COHOR which is supposedly an independent association that handles all these issues of managing slots in Orly and Roissy airports. In the United State, the FAA deals with slots. But you get barely what you want the first time".*

*"Unfortunately, there is a total lack of support from Banks both in Europe and the United States. None of them supported La Compagnie, none of them has even lent me a penny. Any service they*

*provide is charged, there is really a lack of involvement today from those institutions. This is a blatant lack of support for starting business, especially for airline businesses”.*

### **The competitive context**

The Company is addressing a very lucrative but also ultra-competitive market. *“Barriers to entry are quite high”*. This is the second busiest route over the Atlantic Ocean (with 1.5 million passengers per year), behind London-New York. But one of the biggest competitors does not seem to worry about the new airline. The CEO of Air France-KLM said that *“this airline follows a previous one which ended in the arms of British Airways. I'm not sure that the business model of a whole low-cost business class between Paris and New York would resist for a long time”*.

But on its side, Frantz Yvelin remains confident that some customers do not longer want to pay the premium fares that are charged by major competitors (from 3000 to 3500 € on average) for a round trip to New York *“passengers are really expecting alternatives to the legacy airlines that charge huge amounts for business class tickets”*. Dreamjet therefore propose fares that promise to cut prices without upsetting business codes. Only 80 seats, horizontally adjustable, with a full service provided by hostesses being recruited, meal trays developed by a French chef, a wide range of movies and, in a few months, access to the internet in flight. *“By fall, we will be the first French company to do so.”*

With prices between 30% and 50% cheaper than competition, La Compagnie has a quite broad target. Flights will not have first or economy class. The proposed offer will remain a real business class product, with the ability to buy complementary services, *“today there is only a choice between physical or financial pain when you fly.”* In addition to USB ports, passengers get individual touch screens of 12 inches or more specifically tablets Pro, with a large program of

entertainment updated monthly and a welcome kit (socks, ear plugs, eye mask, cosmetics and pen).. Passengers also have access to private lounges in Paris and Newark.

The Company also calls its operations "*eco-friendly*", by engaging in a zero paper approach and will propose its passengers a digitized selection of French and American media. The baggage policy allows to carry two bags of 32 kg per passenger and the opportunity for athletes to bring free sport items.

The cabin, designed to accommodate 230 passengers, has 74 seats in a single class. Seats are angle-flat seats unlike the current market trend. "*We conducted a survey of potential customers. They prefer to pay less rather than having flat-bed seat.*"

Finally, the Company will offer passengers to book, when purchasing the ticket, a car with a driver to drive them to and from the airport of Paris-Charles de Gaulle, with a fixed fee of €48 for transfers between airport and Paris.

What may still bother some of its competitors is that travel agencies will be key strategic partners in the development of the Company. In order to encourage travel agents, Frantz Yvelin wants to commission their sales.

### **The different stages of the entrepreneurial process**

The objective of this section is to present the different phases of the entrepreneurial process to analyze the structuration cycle as proposed developments by Stones.

#### ***The discovery of the opportunity***

*“Basically the idea is simple enough; the idea came to me at the end of 2010, when I realized that there was no more airlines offering a all business class service on a regular basis. Second, business class fares have never been so expensive, a fact that is completely inconsistent with the*

*state of the global economy. As a consequence, flying business class is a real financial burden individual or businesses. That creates the market opportunity for La Compagnie”.*

*“New York is the top destination from Paris with 1.8 million passengers per year and a unique concentration of premium customers with nearly 500,000 business travelers. This is a quite exciting idea to start a new airline, especially when it is French. Air fares have become so expensive that airlines do not know what to do to justify such fares. At the end, there is so much to do in an industry such as airlines, especially because this sector had a 5% growth per year for 25 years. I don’t know any other industry with such a growth rate for such a period. I was sure that I could get the agreements to achieve what I had in mind and then I tried to find the necessary resources”.*

### ***The opportunity exploitation***

*“This is a real entrepreneurial venture. An airline is like any other business, a gathering of skilled people and investors with resources. I put all my ideas in an Excel spreadsheet and then I filled out the spreadsheet with revenues and costs. I decided to model this idea with figures of revenues, costs capital expenses, delays... so my idea became a mathematical model”.*

*“At the beginning, I was alone with my idea. So, I looked for data everywhere, and then I developed a mathematical model that will allow me to model both expected revenues and expenses. All this to make a pattern and from this model I validated my main assumptions”.*

Frantz Yvelin managed to convince investors of the validity of his project. With 30 million euro raised from private investors, La Compagnie signed the largest private deal. *“After this, I finally put all the data into a detailed business plan with some literature to explain what I want to do. Then I started to think about the people that could provide the necessary funds to finance the*

*project. As soon as I reached the amounts I was looking for, I went to a lawyer's office and asked for draft status, shareholder and capital structure.”*

*“Then I found a bank with which contact goes well and I started to make deposits by bank transfers. One day, the bank gave me a nice paper that the required amount of capital was reached. With this paper, I started the process of registering the company in the Commercial Court. Eventually the company was registered in October 2013. During all this time, I did not get any sum from my investors. I paid for everything, every month. I was really a lonely business entrepreneur with no financial support”.*

*“All this done, the fight is not over because we must continue to convince providers or partners. We must seek offices and local teams. Then I started to hire people. Staffs are mostly French with local labor contracts Finally, I chose my new office. We moved to the new premises in January 2014, which were ready in February 2014”.*

Flights are operated with a Boeing 757-200, an aircraft suitable for crossing over the Atlantic Ocean. *“I signed the first contract for leasing the first aircraft in late February or early March 2014 and the second lease contract of the second aircraft in April 2014. Then followed the purchase of the different equipment installed onboard the two planes. Throughout this period, we continued the recruitment of staff”.*

*“To lease the first aircraft, there were negotiations that lasted for weeks, because it's a matter of opportunity. While banks do not play the game, leasing companies are helpful. For the second plane, we worked a lot on our business plan for several weeks; it involves specialized lawyers and technical know-how on the conditions of issue”.*

Finally, who speaks about business class means also airport lounge. If La Compagnie promptly signed a partnership with El Al to use the business lounge at Newark airport, negotiations were more difficult at Charles de Gaulle airport *“Of course, no alliance has agreed to give us a place in the lounges, so our passengers will be welcomed at the Icarus lounge, managed by Aéroport de Paris”*.

### ***The Resource Acquisition***

To carry out his plan, Frantz Yvelin made the second largest private fundraising in 2013 in France. He collected 30 million euros from several investors, including Charles Beigbeder and Michel Cicurel, the former head of the Compagnie Financière Edmond de Rothschild, who had been part the start of L’avion. These private investors hope to realize substantial profits.

*“There I activated my network and I pulled the bell on the right and on the left ... In our case it is useless to go to the banks as they do not finance that kind of starting business, no bank can make financial credit for an airline, certainly not when you’re looking for tens of millions of euros which is our case ... so I forgot the banks. From there, it had little choice. The choice is often dictated by the amount of money you need to start. In my case I bet to say that I do not want debt, so I looked for equity that is to say collect money from individuals. The goal was to find thirty million euros, as I estimated that La Compagnie needs between 25 and 35 million euros to start. I tried to raise money and convince exclusively private investors since no state funds in the United States or in France invest in this kind of business”*.

*“I called few people that I had previously identified, I knew them and met and with whom I like to work. The big surprise is that they all said yes it's great we go, we want to do that with you”*.

*“We got together to develop a finalized business plan. The backgrounds were diverse, one is retired, the second one was active in the French administration, the third worked as a consultant, another was in the airline industry. I gathered some talent covering most major areas which are important to manage an airline with backgrounds in finance, marketing or flight operations”.*

### ***The execution stage***

The first flight, BO 100 of La Compagnie Boutique Airlines, took off Monday, July 21 at 17:50 from Paris - Charles de Gaulle to Newark. Originally scheduled on July 11, the commissioning of the aircraft had been postponed for 10 days because of late delivery of a final approval on the one hand, and the amendment of certain cabin equipment which does not exactly meet the requirement criteria defined by La Compagnie, on the other.

*“Five weeks after the announcement of the new brand La Compagnie, the first commercial flight is the fulfillment of many months of intense work of our teams and our partner. I want to thank them and the French, European and American authorities for their support throughout the process of starting this airline. Today marks a milestone in our short history”.*

The fleet consists of a first B57-200 who just received its new livery. But a second unit of the same aircraft is expected in fall 2014. Other destinations (Miami will be considered) may be launched after approval of the supervisory board of Dreamjet. The Company is co-led by businessman Charles Beigbeder and Michel Scheller, former Director General of Civil Aviation. 13 pilots and 20 cabin crew members were recruited under French law.

*“To suggest a return to Paris New York 1300 euros, we rely on an extremely low cost model. We also variabilisé anything out of our "core business", such as management of the calls and airport management. We do not pay package, but we pay for each flight. We do not compromise on*

*safety. About our aircrew, they are employees hired under contract by French law. A period of eighteen months seems reasonable to reach our breakeven”.*

During IFTM TOP RESA event, La Compagnie received the Laurier Bronze in the category “Airline of the Year 2014” at the awards ceremony of Laurel Business Travel in 2014 “after only two months of commercial operation, this award is a great honor given to our young company. This is a strong signal and a real encouragement for La Compagnie. In a difficult social and economic context innovating through the start of a new scheduled airline is a real challenge. Our teams faced it with professionalism, passion, and willingness in order to respond to a specific need expected by companies and individual travelers: La Compagnie offers the best comfort/price ratio on the market, at least between Paris and New York”.

### **The affirmation of the strategy**

The Company hopes to reach the equilibrium point “within 12-18 months” based on an occupancy rate of at least 65% for the two aircrafts. The parent company Dreamjet, with its 30 million euros after fundraising will provide the cash needed during this period.

## **Discussion**

The objective of this section is to discuss the contributions of ST developments proposed by Stones (2005) to analyze the entrepreneurial process as a social process. In accordance with previous studies (Chiasson and Saunders, 2005. Sarason et al 2006), we believe that ST provides a fruitful theoretical framework to understand the changes induced by the creation of a new business. In particular, the case study highlights that the change obtained can be analyzed both in terms of context analysis and conduct analysis of the entrepreneur. Proposed developments by Stones (2005) invite to analyze in greater depth the relationship between social practices and



positions of actors and to consider the relative power of actors, their position, how some actors can resist or accelerate change. These relationships between positions and social practices allow the researcher to focus on the powers and duties related to the position of actors and so linking structures and actions. We will mobilize the analysis of the entrepreneurial process proposed by Shane (2003) to present this discussion.

According to conventional analysis of ST, the opportunity is linked to evolution or structural contradictions. Sources of opportunity therefore fall within the area of the external structures of Stones (2005). In the case presented the sources of opportunity come from contradictions between the expensive prices of flights in business class (economic or competitive structure) and the open skies air transport agreement between the European Union and the United States. The agreement allows any airline of the European Union and any airline of the United States to fly between any point in the European Union and any point in the United States. Furthermore, because of the state of the European economy, individual passengers and corporations seek for low-cost fares. The huge size of the market between Paris and New York (1.8 million passengers annually) and its significant growth (a 5% growth per year for the last 25 years) appears also as a decisive source opportunity in this case.

The discovery of the opportunity invites us to consider the internal structures of the entrepreneur but also its social position, prerogatives and obligations attached to this position and so linking structures and action. The main question to ask is why the entrepreneur has created this opportunity. His experience as advisors in the field of air transport, as well as having previously started an airline (L'Avion) in 2007, are offering him access to privileged information. His education and his pilot training offer him the opportunity to imagine an opportunity in an area that is virtually growing. Very passionate about the air, it has the motivation to participate in the

development of this sector in France. In addition, its network and experiences give him the legitimacy to discover this opportunity. The discovery of the opportunity is based on the analysis of the internal structures of the agent (the entrepreneur) in terms of signification, legitimation of domination.

In terms of signification, as pointed by Sarason et al. (2006), the discovery of an opportunity is based on the scheme of interpretation allowing agents to interpret situations (the contradictions of external structures). In this case, the entrepreneur must actually interpret the high fares in business class between Europe and the United States as an opportunity to create an airline.

However, unlike the analysis proposed Sarason et al. (2006), this one dimension of structure is insufficient to understand the discovery of the opportunity. Indeed, the dimensions legitimacy and domination, in the case studied, are also essential. To be discovered, the opportunity should appear legitimate to the entrepreneur. In addition, as clearly stated in the case study, the discovery of this opportunity occurred in a context of strong social interaction with businessmen and investors. In the case of this interaction, the entrepreneur because of his social position appeared legitimate to make this discovery.

Domination structures also appear important. To discover the opportunity the agent must have an idea of the allocative and authoritative resources that will make it capable of exploiting this opportunity. In the analyzed case, the potential allocative resources are related to fare charged for business class service and to the possibility of starting rapidly an airline because of the open sky agreement. The authoritative resources are relative to the internal structures of the entrepreneur, particularly his habitus. Level of education and professional experience provide him with crucial resources.

According to ST, the discovery of opportunity can only be analyzed by linking the agency of the entrepreneur and the structures in their three dimensions: signification, legitimation and domination.

The exploitation of opportunity according to Shane framework (2003, p.62) reflects individual attributes classified into psychological factors and not psychological factors. The proposed attributes (education, experience, age, social position, motivation, evaluation, knowledge ...) can simply be analyzed in the structuration cycle proposed by Stones as related to the internal structures of the actor and his agency informed by its iterative (informed by the past), evaluative (capacity to contextualize within present contingencies) and projective (oriented towards the future) capacity (Emirbayer and Mische, 1998). This model allows to understand theoretically the analysis proposed by Eckhardt and Shane (2013) which indicates that the sense making of the entrepreneurial process is based of the past, present and future perceptions of the entrepreneur. Regarding the iterative dimension, that is the ability to mobilize a combination of structures, the entrepreneur uses its networks of businessmen to begin operation of the airline. The evaluation dimension is largely based on its current and successful experience in the business world (L'Avion). The decision to exploit this opportunity is based on the projective dimension of agency proposed by Emirbayer and Mische (1998).

This projective dimension in this case is not focused solely on profit. The entrepreneur will to encourage the airline industry and to participate in the economic development of France, plays a leading role in the decision to operate. The three dimensions of the structure are critical in the exploitation of the opportunity. The signification dimension relates to the understanding of the entrepreneur and the social and economic benefits of this exploitation. As stated in the case, the signification is not the same for social actors depending on their social positions (bankers,

investors, the CEO of Air France KLM ...). The entrepreneur difficulties with bankers and public and private fund emphasize that signification of the decision to operate is variable. The decision to start an airline does not appear legitimate for bankers who do not mobilize resources for the project. In the decision to exploit, the legitimacy of the project and the availability of resources is important. The decision to exploit an opportunity appears as an exercise of social relationships, mobilizing the knowledge of the various structures of the entrepreneur. As indicated by the case study, the individual attributes of the entrepreneur who decides to exploit the opportunity are, in fact, social capabilities.

The execution phase suppose to have the resources to design the organization and then define the strategy. According to the analyzis of Sarason et al. (2006), the structures of domination are essential insofar as the implementation phase mobilizes resources. In the case, the entrepreneur has collected thirty million euros from several investors, including Charles Beigbeder and Michel Cicurel, the former head of Company Edmond de Rothschild, who had already helped to create “L'Avion”, to acquire the resources needed to exploit. Authoritative resources are also crucial in this case because the entrepreneur must demonstrate his ability to obtain the operating license and operate safely flights aboard technically complex aircrafts. However, the significance and legitimacy dimensions are not negligible. For example, the entrepreneur must communicate that the company has the technical expertise and legitimize these skills to obtain international licenses.

The results are reflected in the existence of a new company in the airline industry. These results are based on the mobilization of three-dimensional structure (Giddens 1984). Signification structure is reflected in the achievement and maintenance of the operating permit; customers who use the new service provided, a new company for the development of the airline industry or to

support the economy of France. Domination is linked to the recognition of "La Compagnie" as an international airline and a new competitor nationally and internationally. Legitimation is linked to the recognition of the company with customers, suppliers or the states.

In summary of our case study, the following table provides an analysis of the entrepreneurial process (Shane, 2003) in terms of structuration cycle.

<i>External Structures</i>	<i>Internal Structures</i>		<i>Agency</i>	<i>Outcome</i>
	<i>Conjuncturally specific</i>	<i>habitus</i>		
Structures and evolution : – Technology – Economic – Regulations – Social  structural contradictions	Knowledge of external structures  – <u>Discovery of opportunities:</u> access to information, social connections  – <u>Exploitation and Execution:</u> social status, social positions, resource acquisition.	– Education – Professional background – Age – Social position	<u>Exploitation – Exécution</u>  – Iteration: mobilization of a combination of internal structures – Evaluation – projection Interaction with others actors	Analysis of expected and unexpected consequences of action (uncertainty, profit ...)- Evolution or reproduction of structures  (signification, legitimation, domination)

**Tab1.** - The entrepreneurial process as a structuration cycle

It appears that the entrepreneurial process is fundamentally a social process in which an opportunity is gradually constructed. The opportunity is linked to structural changes or contradictions. Opportunities therefore fall within the area of external structures (Stones, 2005). The discovery of opportunity invites us to consider the internal structures of the entrepreneur that is to say, his knowledge of the external structures but also its social position. The discovery of opportunity can only be analyzed by linking the action of the entrepreneur and structures in all their dimensions (Giddens, 1984): signification, legitimation and domination. Sense making of the entrepreneurial process is based the three dimensions of agency, iteration, evaluation and projection (Emirbayer and Mische, 1998). The decision to exploit an opportunity appears as an

exercise in social relationships, mobilizing the knowledge of the various structures of the entrepreneur. The outcomes of the entrepreneurial process are based on the mobilization of the three dimensions of the structure (signification, domination and legitimation).

## **Conclusion**

In the context of this article, we have initially presented entrepreneurship as a process. Based on ST (Giddens, 1984) and its recent developments (Stones, 2005) we were able to identify an appropriate framework for analyzing and understanding the entrepreneurial process. Three main reasons for the mobilization of the framework. First, the concept of the duality of structure invites to understand entrepreneurial practice as embeddedness of the active agency of the entrepreneur and social structures. Then, the notions of space and time are central and are used to study social interactions. Finally, ST recognizes the reflexive nature and the knowledge of the agent who is at the center of the entrepreneurial process. Ultimately, according to ST, the entrepreneurial process remains fundamentally a social process.

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