Research at the Marketing/Entrepreneurship Interface

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CASH IS KING, PROFIT IS SANITY, BUT SOCIAL IS THE FUTURE

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EXTENDED ABSTRACT

In recent years, society has become increasingly concerned with social and environmental issues (Luchs et al. 2010). As a consequence, companies are under growing pressure to take more responsibility towards sustainable activities. Many companies, therefore, have established sustainable activities that comprise social, environmental and economic actions (Elkington 1997). In accordance with that tendency, the interest of social enterprises, which combine a social mission and profit orientation has largely increased in business and academia (Austin et al. 2006; Battilana and Lee 2014; Vickers et al. 2017).

Social enterprises encompass activities to enhance social wealth by creating new ventures or managing existing organizations in an innovative way. Thus, a social enterprise distinguishes itself from other business models by its capacity of social innovation (Zahra et al. 2009). In line with the fact that social behaviour leads to wellbeing, we hypothesize that buying products from social enterprises leads to a higher consumer wellbeing than buying products from other business models. Thus, we propose that a social enterprise seems to be a business model that has the potential to enhance consumer wellbeing to a larger degree than other business models. Furthermore, we argue that consumers’ company perceptions of warmth and competence mediate the effect of buying from social enterprises (vs. buying from other business models) on consumer wellbeing. Figure 1 provides an overview of our research model.

Figure 1: Research Model

Based on a comprehensive literature review of the characteristics of social enterprises and their distinction from for-profit companies, as well as for-profit companies applying CSR activities and non-profit organizations, we conducted two experimental studies. To ensure the appropriateness of the scenarios, a pretest was implemented before running the experiments. The results confirm that buying from social enterprises leads to a higher degree of consumer wellbeing compared to buying from for-profit companies as well as from for-profit companies applying CSR activities, and to an equal degree of consumer wellbeing compared to buying from non-profit companies. Thus, the findings reveal that consumer wellbeing is positively affected by the social orientation of a business model. Moreover, we found empirical support for the mediating role of the attributes warmth and competence with regard to customers’ perception towards a company. In sum, our findings provide evidence for social enterprises being a promising business model in society.

Our work is one of the few studies on consumer behavior that exist in social entrepreneurship research (e.g., Hibbert et al. 2005). We contribute to this research stream in several ways. First, we further expand the social entrepreneurial literature...
by integrating the marketing perspective and, more specifically, by reflecting upon consumers’ purchase from social enterprises. Second, our study creates a deeper understanding of consumers’ perception of social enterprises (compared to other business models). Thereby, we build on the work by Aaker et al. (2010) as well as Lee et al. (2017), by analyzing the perception of social enterprises regarding their warmth and competence. Third, we introduce consumer wellbeing into the social entrepreneurship literature by investigating the impact of purchases from social enterprises in comparison to other business models on consumer wellbeing.

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USING A SIGNALING APPROACH TO ANALYZE THE ROLE OF FOUNDER DIVERSITY IN THE PROCESS OF STARTUP BRAND IDENTITY CONSTRUCTION: THE CASE OF STUDENT FOUNDERS AT HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU) IN THE USA ADVERTISING INDUSTRY

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EXTENDED ABSTRACT

Taking advantage of the recent attention of researchers on diversity, the current study’s main objective is to empirically test in the USA advertising industry the use of a signaling approach to analyze the role of founder diversity in the process of startups’ brand identity construction (BIC).

Diversity motivates a concern with identities and processes of identification for organizations, as people with more diverse backgrounds and values increasingly populate all levels of an organization (Albert, Ashforth, and Dutton, 2000). Relatively well-studied diversity categories in the literature include but are not limited to dissimilarity in age, race, gender, sexual orientation, physical ability, income, work experiences, personal habits, work location, management status and seniority. Our diversity category is based on a new one defined as dissimilarity in founder personality traits (FPT). Founder diversity in the advertising industry can be defined as the different types of personalities demonstrated by agencies’ founders. Shi (2019) argued that founders’ personality traits (FPT’s) are sometimes at the core of startup BIC. FPT’s can play direct roles when startup branding serves the symbolic function. When branding serves the symbolic function, brand identity is directly related to brand personality (Aaker 1997). Therefore, given the correlation between brand personality and founder personality in the advertising industry, investing in founder diversity in terms of FPTs’ dissimilarity may enable startup brand identity construction (BIC) to grow sales in the US advertising industry.

The current study compares two different roles of founder diversity in the sales growth resulting from two startup BIC strategies. Startup BIC strategy one helps to build a sticky brand identity where founder diversity plays an indirect role while startups offer customers innovatively novel and functional products. Startup BIC strategy two helps to build a static brand identity that is based directly on founder diversity while these startups offer customers new but functionally me-too products. The idea of investment in diversity to signal an identity type appears to be worth exploring (Shi and Miles, 2019). The current study uses a signaling approach to examine whether startups in US advertising industry founded by underserved students at Historically Black Colleges and Universities (HBCU) should invest in product diversity defined as product innovativeness or in founder diversity defined as founder personality traits such that strong brand identities can be constructed for startup organizations to succeed in generating sales.

Our preliminary results indicated that there might not be sufficient diversity in either agencies’ products/advertisements or agencies’ founder personality traits. However, our results so far are not conclusive yet, since our data sets failed to cover a time span long enough. Reinwald and Kunze (2019) showed that diversity impact might not be immediate in nature but tends to increase over time.

We aim to make the following contributions in this article. This article intends to add to the insufficient literature on brand identity construction (or BIC in short) for new brands by studying startup organizations in the US advertising industry. In the US, the advertising industry is made up of agencies. Although the existing research shows that product diversity tends to serve as the dominant driver of business performance (Varadarajan, P. “Rajan”, 1986), it is yet to be shown whether product diversity in the advertising industry, defined as the varying degree of innovativeness or creativity in an advertisement (i.e. an agency’s product according to White and Smith 2001), might drive up startups’ sales potential given that creative advertisements for experience goods have been shown to serve as an informative signal about the identity of the advertised product (Kirmani and Rao, 2000). Through this study we argue that investing in product diversity is necessary but not sufficient to enable startup brand identity construction (BIC) to drive sales in the US advertising industry. The reason is that product diversity might not work without a proper alignment with founder diversity.

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THE USE OF EXPERIENCE MARKETING AND CO-CREATION AS A COMPETITIVE TOOL: 
THE CASE OF SPECIALTY COFFEE SHOPS

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EXTENDED ABSTRACT

The current offer of coffee shops in Santiago de Chile is represented by international brands such as Starbucks, McCafe, Segafredo Zanetti, Juan Valdez and Dunkin Donuts, among others. Local entrepreneurs who are attracted by the coffee market don’t have the economic resources to generate marketing and advertising strategies that can compete with the above brands. One of the few options they have to differentiate themselves is through the strategies of co-creation and experience marketing in their stores. Although international brands also work in the generation of customer experiences, due to their size and standardization of processes, they can’t apply them in the same way as the local entrepreneur (Coviello, Brodie & Munro, 2000; Reijonen, 2010; Gilmore, 2011).

Currently, there exists a large literature on the concepts of experience marketing and co-creation, but practical empirical studies on the topic are still limited (Gentile, Spiller & Noci, 2007). Our general goal is to better understand how coffee entrepreneurs can be sustained over time and compete against large international coffee chain brands. The contribution is based on developing an empirical study of the theory of experience marketing and co-creation in the context of entrepreneurship, specifically, specialty coffee shops, a type of entrepreneurship that is increasing in various urban areas and where both theories can be tested simultaneously. This paper is exploratory in nature and grounded on literature and the theory of co-creation of values and marketing of experience. The specific objectives are twofold: first, to make a significant scholarly contribution by developing the marketing of experience marketing and the co-creation as differentiation strategies. Second, develop a case study in Lastarria and Bellas Artes District, where there is a large concentration of specialty coffee shops, to serve as a guide for all "third place" ventures that seek to remain competitive in their respective markets. These districts were selected, because geographically, this type of specialty coffees are mainly concentrated.

The coffee shops, bars and other “third place” businesses are considered "third places"so because they are public, neutral, informal social spaces where they frequently attend that are frequently attended and which are neither the home nor the workplace. The first cafeterias arose in 17th century in London and served as beneficial spaces where the public could debate, converse (Ellis, 2008) and which still today can be considered "Healthy Places" (Frumkin, 2003) thanks to their contribution to social capital (Waxman, 2006). Recently, coffee shops have taken a front seat for consumers seeking a third place. Here, the third place is given as the co-generation where an interface between the coffee brand and the creation of value is generated, generating an "urban coffee society" (Bookman, 2014 ).

Consumers currently have an excess of product and service options to choose from, but at the same time don’t seem to be satisfied with current offers, so the dialogue that is generated between the consumer and the company and vice versa is crucial to generate experiences that co-create a different value for the product or service that is being traded (Prahalad & Ramaswamy, 2004). The experience that the consumers have with the brand is crucial for their loyalty and long-term preference, (Gentile, Spiller & Noci, 2007). That is why entrepreneurial ventures that seek to be successful in the long term, should focus on providing personalized co-creation experiences, giving an active role to consumers. Experience marketing and co-creation comes from this fact and considers not only the quality of the product or service but also the experience in the value perceived by the consumer and their subsequent purchase intention (Yu & Fang, 2009).

Whalen & Akaka (2016) explain that business opportunities are continuously co-created through the development and communication of value propositions, derivation and the determination of value and (re) market formation. The theory of co-creation can be seen in three axes: service science, innovation and technology management, and marketing and consumer research (Galvagno & Dalli, 2014). The authors created the Dart Model (Dialogue, Access, Risk Assessment and Transparency) between company and customers. These type of strategic models are being developed by big brands like Nike to interact more closely with their consumers (Ramaswamy, 2008). Vega-Vásquez, Revilla-Camacho & Cossío-Silva (2013) complement these studies with an empirical study that supports the idea that the process of co-creation of value is determinant in the satisfaction of part of the consumers and can even be useful for the development of new products (Filieri, 2013).
Various studies have been done to understand how the customer experience can impact perceptions in the context of coffee shops. Nadiri & Gunay (2003) studied the experience of young consumers and concluded that customer satisfaction can induce a positive behavior after the purchase and that the perceptions of the quality of the service influence their experiential values in relation to the brand. Tumann & Lasagan (2012) conducted a multidimensional study to understand the attachment to coffee shops and concluded that there is a clear need for the development of marketing strategies that go beyond the coffee cup to accelerate the growth of the company's income and improve the customer experience (Vanharanta, Kantola & Seikola, 2015). The way of doing marketing has evolved, since it has generated a shift from the commercialization of products to the commercialization of services and currently the focus is on experience (Pine & Gilmore, 1999) that is why each coffee shop has focused on developing a unique social culture linked to the sense of belonging and sense of community (Waxman, 2006). For example, studies (Jeon, Park & Yi, 2016) show that the simple application of background music in coffee shops favors the congruence of the store with the consumer, generating positive perceptions of the customer experience.

It is concluded, that marketing experience and co-creation in specialty coffee shops generates a series of positive results for this kind of entrepreneurship: growth and sustainability, increase in sales, greater market penetration, reduction of advertising costs, new business opportunities and consolidation of a new niche of consumers seeking differentiated products and services.

Providing a new empirical study that can be useful will serve to entrepreneurs who seek to optimize their resources and differentiate themselves from the existing great competition and will help delineate how marketing experience and co-creation can serve as competitive tools against larger competitors with more resources.

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SEARCHING FOR THE INTRAPRENEUR – A DESCRIPTIVE CASE STUDY IN SWEDEN

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EXTENDED ABSTRACT

The phenomenon of intrapreneurship was introduced in a paper in 1978 (Pinchot, 1985; Pinchot and Pinchot, 1978) and is about how individual employees behave entrepreneurially and how to obtain growth and profit through these innovations in an already existing organization (Morris, 1998; Munk, 1998; Antoncic and Hisrich, 2001). Intrapreneurship is of interest because it is beneficial for the performance of large corporations, as well as small firms (Pinchot 1985; Schollhammer, 1981, 1982; Burgelman, 1983, 1985; Antoncic and Hisrich, 2001). Intrapreneurs take hands-on responsibility for creating innovation of any kind within an organization. Intrapreneurship is a core competence and is necessary for the survival of a firm (Antoncic and Hisrich, 2001; Kuratko et al., 2014; Steiber, 2014).

In order to add to previous research regarding the individual intrapreneurial behaviour (Hornsby et al., 1993), components of intrapreneurship (Antonic & Hisrich, 2001; 2003) and a comparison with entrepreneurs (Parker, 2011), this paper contributes with the aspect of who the Swedish intrapreneur is. This article researches the answer to the question: “What are the intrapreneurial characteristics?”.

The Swedish case with regards to intrapreneurship is interesting for several reasons. Firstly, many successful global companies come from Sweden. Examples are AstraZeneca, Electrolux, Ericsson, H&M, IKEA, Skype, Spotify, Solvatten, Peepoople and Wrapp. Secondly, Sweden has one of the most digitally connected economies in the world (Findahl, 2011). However, Sweden is far behind other countries when it comes to the development of mobile Internet. Third, Sweden’s social safety net makes entrepreneurs in Sweden freer to take risks (Schneider, 2007). It is a country with high security and stability which makes the business environment relatively safe and encourages people to take risks. This paper contributes with a descriptive study of the Swedish intrapreneur defined as someone in a company who is leading or participating in the development of a new product or service. This paper answers the intrapreneurship characteristics on both the individual level as well as the organizational level. A deeper understanding of who the intrapreneur is, and his/her relation to the firm, will generate new insight into intrapreneurship and how organizations can create a work climate in order to encourage intrapreneurship.

From previous research we know quite little about the characteristics of the intrapreneur. There are expectations about the intrapreneur but most published studies have focused on analysing intrapreneurial traits and how they affect their creativity, their propensity to take risks and their need for achievement, (Kolchin and Hyclak, 1987; Antoncic & Hisrich, 2001). Research focused on intrapreneurial traits has had only limited success in explaining the behaviour and perceptions of intrapreneurs (Keh et al., 2002; West, 2007). These studies are very similar to what has been analysed of the independent entrepreneur (Parker, 2011; Baum et al., 2001; Keh et al., 2002). In sum, it is problematic to focus on the behavioural characteristics of the intrapreneur. What can we expect about the intrapreneur on an individual level and organizational level? Based on previous research, expectations can be done about the intrapreneur on an individual level: age, gender, education level, years employed in present firm, work position, work area (Camelo-Ordaz et al., 2012) and on an organizational level: company size and industry (Miller, 1983).

As a descriptive study, the goal of this study is to describe the Swedish intrapreneurial characteristics and contribute to existing research regarding corporate entrepreneurship and in particular intrapreneurship. This study aims to develop a description based on existing literature and quantitative data of Swedish firms. Hopefully it can serve as a useful base for future theory-building within the field of intrapreneurship. By using a quantitative survey, information and statistical facts, a picture will be given in the context of the Swedish business society. The quantitative data was collected in Sweden in 2017. The data is representative of the Swedish population and was collected as part of a longitudinal study of intrapreneurship. The following variables on both individual and organizational level were used in the study: age, gender, education level, years employed in present firm, work position, work area, company size, industry.

As the descriptive statistics results on the whole sample of individuals shows, the characteristics on the individual level is of a 44-year-old man with a university degree. He has been employed in the current firm for about 0-5 years and has an employee position. His work area is most likely to be within other/undefined. From the variables in relation to its business environment, he works in a firm of over 249 employees and is expected to work in the manufacturing industry.
By identifying the intrapreneural character, a firm will be aware of the importance of the internal work environment and how a focus on intrapreneurship can improve profit and growth in the organization in the long run. Organisations can ask themselves why some individuals are not behaving intrapreneural. The organisation can encourage these individuals as well as other individuals with other characteristics thus making the company more competitive and profitable, leading ultimately to increased growth (Gautam and Verma, 1997). Also, the organization can easily target intrapreneurs with different policies to further develop their entrepreneurial behaviour. Since the leading intrapreneur is a middle-aged man with a university degree and working in a top management position, the company should target other groups in the firm. Being aware of which group that has the characteristics of intrapreneurs, organisations can ask themselves why other demographic groups are not behaving intrapreneural. There is evidence that intrapreneurs help managers renew and revitalize businesses to innovate and contribute to increased business performance. One key factor for a firm to stay competitive is the development of their intrapreneural abilities among all working areas and positions in the firm (Rule et al., 1988).

According to Kuratko et al., (1990), the three most important factors for an organization to be more intrapreneural are management support, organizational structure and resource availability. The authors claim that the aspects of an organization’s climate must be understood for an intrapreneurial potential. Other researchers claim that open communication, existence of formal controls, intensive environmental scanning, organizational support, and values help an organization become more intrapreneural. Environmental factors that encourage intrapreneurship appear to be a fruitful area for future research.

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Entrepreneurial marketing is both a theoretical and practical construct at the interface between entrepreneurship and marketing, with a relatively long existence, but insufficiently developed in theoretical terms (Miles et al., 2015). Many scholars believe marketing practices that incorporate elements of entrepreneurship could help to improve smaller firm performance, especially when confronting limited resources, a turbulent environment, and intense competition (Nijssen, 2017). However, most evidence of effective EM practice is Western in nature (Gilmore et al., 2013). Only little attempt has been made to explore EM in emerging and transition economies, such as China. With its institutional transition, Chinese SMEs have to deal with a high level of environmental uncertainty and suffer from institutional disadvantages due to the lack of support from the government and local authorities (He et al., 2016). Taking both entrepreneurial orientation and market orientation activities can be crucial for Chinese SMEs in such economies because they are internal firm capabilities that can boost the success of SMEs in challenging environments. Thus, China is an ideal context to study entrepreneurial marketing.

This research builds on the limited work to date on the practical aspect of the role of EM in a transition economy, China. The findings of this research are generated from qualitative research through in-depth interviews and participant observation. Sample Chinese SMEs are selected from a variety of industries including the manufacturing industry, retail, and service sector. The thematic analysis approach is used for identifying, analysing, and reporting themes within the data. Template analysis is carried out on Nvivo software as a way of thematically analysing data (King and Brooks, 2017).

To investigate the role of EM among Chinese SMEs, Morris et al.’s (2002) seven dimensions framework, including proactiveness, innovativeness, risk-taking, resource leveraging, opportunity focus, customer intensity, and value creation are applied. The findings show that all dimensions of EM have been internalised and applied effectively in marketing activities among Chinese SMEs with promising results. The results also confirm a positive link between the core EM elements (including networking, word of mouth marketing, creativity) and Chinese SMEs’ performance. The empirical evidence proves that EM has been embraced and put into effective use by Chinese SMEs. It provides Chinese SMEs with new opportunities in overcoming obstacles posed by certain limitations.

While traditional marketing is causal logic-based, EM decision-making tends to be effectual. This research also used Sarasvathy (2009)’s five principles of effectuation, including non-predictive control, means driven, affordable loss principle, partnership, and leveraging contingencies to assess the part played by Chinese entrepreneurs, their competencies, and motivation in shaping a business venture in China. The findings show that all participant Chinese entrepreneurs had applied effectuation logic in their decision-making, especially when they first started their businesses. They rely on available means to create opportunities and try to leverage contingencies through a consideration on how much they can afford to lose. They use creative ways, such as diversification strategies, to manage risks and control the future. Most participant Chinese SMEs also have partners and use partnerships to reduce uncertainty and enter unfamiliar markets. Under the evidence of each principle of effectuation, Chinese entrepreneurs display sufficient signs of effectuation reasoning and play an essential role in shaping a new business venture.

Although EM elements and effectuation principles have been applied effectively by Chinese SMEs, there are also unsupported expectations emerged in this research that contradict to the existing literature. First, many Chinese entrepreneurs do not act entrepreneurially in risk-taking and take calculated risks as they believe it is not possible to calculate risks under Chinese complex social and institutional context. Second, some Chinese SMEs do not make an effort to explore opportunities as they believe along with their development, more opportunities will come to them automatically. Some participants focus on downside risks and only exploit an opportunity if they think they are resource capable. Third, networking is closely linked to the ‘guanxi’ web in China, and it can be complex and corrupt. Therefore, some Chinese entrepreneurs consider ‘guanxi’ related networking might decrease the marketing effectiveness of their firms. Fourth, market creation is a core element of EM, but Chinese entrepreneurs showed a neutral attitude towards it.
The researcher also discovered two shifts in EM and effectuation among some Chinese SMEs. The first shift is from effectuation to causation along with the firm’s development, but the shifting point is not clear. More planning and goal settings are common elements of the paradigm changing, but there are still visible elements of effectuation, such as partnership and affordable loss principle. The second shift is from innovation-oriented to more customer-oriented. Some Chinese SMEs started with offering what they have and wanted to offer, but along with their development, they focus more on meeting customers’ needs and give responsive actions based on customers’ feedback.

The interrelationship between EM and effectuation is examined by using the concept map on Nvivo. The concept map shows that elements of EM and principles of effectuation are not independent; instead, they can all be regarded as complementary elements. The decision-making practices in both EM and effectuation logic are likely to be very similar. Chinese SMEs largely shared EM and effectuation elements, including adopting a bottom-up approach, relying on relationship building and focusing on exploiting opportunities. EM and effectuation interact with each other to help Chinese SMEs to cut through all the obstacles a transition economy brought and enhance the development of Chinese SMEs with limited resources.

In order to demonstrate the process of Chinese SMEs development, a conceptual model is created at the end of the research. According to the conceptual model, the economic transition creates opportunities for Chinese SMEs. To exploit these opportunities, Chinese SMEs apply effectual logic in decision-making and use EM as a way of doing marketing. However, this relationship is not unilateral or linear. Networking, creativity, word of mouth, the external environment, and social context can also be sources of new opportunities. Even when the process reaches the end, Chinese SMEs Development, it can reverse backwards. The growth of Chinese SMEs allows them to build reputation and credibility, and this is another source of opportunity creation. All elements in the conceptual model work together to enhance opportunity identification, exploitation, and Chinese SME development. This conceptual model provides a guideline for Chinese SMEs to operate effectively in a transition economy and contribute to the knowledge of the EM field.

REFERENCES


EUREKA MOMENTS: A STUDY OF NASCENT ENTREPRENEUR IDEA GENERATION

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Mark Bieraugel, California Polytechnic State University

EXTENDED ABSTRACT

Entrepreneurs are a much-studied group; and yet, there is a gap in our understanding of how their environments foster entrepreneurial thinking and behaviors. To address this gap, the present study examines the role of shared space on creativity, or the development of new and useful ideas (Amabile, 1996). Rather than viewing creativity as a fixed trait, this study proposes creative thinking as a malleable state that may be influenced by external factors; i.e., shared spaces for engagement and interaction with people, programs, and places. Prior studies examining workplace creativity in the daily lives of professionals have been limited to internal factors, such as mood, job stress, and recovery (Bledow et al., 2012; Binnewies & Wörnlein, 2011; Weinberger et al. 2018). This study explores how shared space influences venture idea generation among nascent entrepreneurs and monitors the development of ideas into venture opportunity.

This abstract describes the conceptual background for a project examining how shared space influences venture idea generation and development among nascent entrepreneurs. This conceptualization informs a methodology that relies on diaries and interviews of nascent entrepreneurs to examine the when, where, and how of new venture ideation. These eureka moments represent knowledge creation relating to venture opportunity development that result from dynamic interactions among individuals and their shared spaces. This (ongoing) study examines the key relational, knowledge-mobilizing platforms that support idea generation and development and may inform design of shared spaces. In examining the role of environment on nascent entrepreneur creativity, the results provide a view into new venture ideation and the environments (people, programs, and places) that support development of the venture idea into opportunity.

Conceptual Background. Dimov (2007; 2011) posits that entrepreneurial opportunities begin as an idea, the eureka moment. Following that moment, the idea is continuously shaped by the entrepreneur, the context, and the social environment, as the venture develops from idea (incomplete mental representation) to concept (simplified business model) to opportunity (exploitable venture) (Vogel 2017). Entrepreneurial opportunities are not just a single flash of insight, but rather the initial idea is developed by the entrepreneur, while alone or in groups and in different environments. As Dimov describes, “opportunity development” is a “dynamic, iterative, and socially embedded view of how entrepreneurial opportunities reach their final form” (2007; p. 714) and that “to be developed, opportunities require that the entrepreneurs ‘carve out’ space within the social context in which they are to be instituted.” (2011; p. 65).

In examining opportunity development, this study seeks to isolate the idea set (Hill and Birkinshaw, 2010), which is defined as an emergent form of venture opportunity representing customer (segment, need and solution) and venture (resources and capabilities) (Abell 1980; Ladd 2018). Specifically, the venture idea set is operationalized in terms of the content and volume of ideas relating to customer segment (who is being satisfied?), customer need (what is being satisfied?), customer solution (how customer needs are satisfied?), and venture resources (what the business needs?) generated by the entrepreneur. With venture idea set as a dependent variable, the study examines the influence of shared space on its content and volume for the socially embedded, nascent entrepreneur over a period of time.

A critical factor is the conceptualization of environment beyond its physical contours and towards a relational, knowledge-mobilizing platform. Prior research on knowledge management within the workplace informs this study. Notable is research on Japanese philosophical traditions. To understand the meaning and potential of shared space and to provide a conceptual framework for study of the nascent entrepreneurial experience, this research expands on prior work by relying on two Japanese concepts of space and space use: ba and ma. Ba describes how aspects of space interrelate to help create experiences or foster new ideas (Nonaka & Konno, 1998) and includes social, cognitive, informational and structural dimensions (Choo & Alvarenga Neto, 2010). Ma describes spaces in between or interval spaces that allow different ideas to exist; e.g., reflecting or thinking in restorative or natural environments (Kodama 2017).

To examine the role of environment (ba and ma) on creativity (opportunity development), experience sampling was used wherein participants report thoughts, feelings, and behaviors across a range of times and situations (Uy, Foo & Aguinis 2010). Over the course of several weeks, twenty-one student entrepreneurs reported on the content and volume of venture ideas along with the types of spaces (representing ba and ma) when these ideas occur. This resulted in 96 response-level
(level 1) observations, which included venture concept and influencers, and 21 person-level (level 2) observations, which included respondent and venture characteristics. Using the concepts of venture idea set, ba and ma to examine shared spaces offers a richer understanding of opportunity development and the potential to inform both theory and design.

**Research Implications.** The proposed research is a new line of research. While there are studies that address how the physical environment assists or hinders entrepreneurial pursuits (e.g., Al-Dajani et al., 2014) or that examine the role of incubators and accelerators in venture search, selection, support and performance (e.g., Hausberg et al., 2018), a literature review, across disciplines, yields limited theoretical or empirical research on the role of shared space on new venture ideation and development. By examining idea generation among nascent entrepreneurs in their daily lives in formal and informal settings using experience sampling methodology, this research builds on prior studies that have examined the influence of internal states on creativity and of workplace environments on knowledge management. On a practical level, this study aims to provide a view into how nascent entrepreneurs develop insights, how they deepen their understanding of venture opportunity, and what spaces (people, programs, and places) support them. The findings should inform both theory and practice and be of value to entrepreneurial marketing educators interested in venture opportunities that might emerge from eureka moments.

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*Available Upon Request.*
SCALE OR FAIL? AN EMPIRICAL EXAMINATION OF THE MARKET SHARE - FINANCIAL PERFORMANCE RELATIONSHIP

Can Uslay, Rutgers University*
Ekaterina V. Karniouchina, Mills College
Z. Ayca Altintig, Claremont Graduate University

EXTENDED ABSTRACT

U.S. Entrepreneurs typically had to rely on bankers as the primary means of access to capital prior to the formation of Silicon Valley and the emergence of private equity. The bankers’ conservative approach arguably stifled innovation and growth of start-ups at the time. However, perspectives regarding growth have changed drastically in recent years. Venture capital is abundant, and hyper-growth and number of users are emphasized over profits for start-ups. For example, it took Facebook five years and Amazon seven years to report its first profitable quarter. Meanwhile, a recent meta-analysis (Edeling and Himme 2018) reported only a mild relationship between market share and financial performance (.13 elasticity) and prescribed that merely 11% (if any) of marketing budgets should be spent on increasing market share. Is the emphasis on (share) growth at all costs justified or not?

Market share is a fundamental variable for several business disciplines including marketing. However, after five decades of study, its relationship to financial performance is still not understood well. In this article, we comprehensively examine the relationship by utilizing a non-parametric approach (multivariate adaptive regression splines) and a number of mixed-coefficient models. We merge Compustat and Capital IQ databases to be able examine small-share firms that are typically excluded from extant databases such as PIMS. To the best of our knowledge, the final sample consisting of over a quarter million firms-year observations represents the most comprehensive database compiled to examine market share-financial performance.

We find that the relationship between market share and financial performance is consistently non-monotonic and non-linear. Market share-financial performance elasticity can vary dramatically from extremely high (e.g., > 10), to marginal or insignificant, to significantly negative (e.g., < -1.4) and these variations are consistent with theoretical expectations even after controlling for factors such as market concentration and industry group. We posit that basing managerial actions on a weak market share elasticity coefficient can not only be wrong but also lead to disastrous performance outcomes depending on the strategic type of the firm. While managerial efforts to improve market share are expected to boost the financial performance of micro-specialists, regular specialists, and undersized generalist firms, they are not likely to generate significant returns for regular and dominant generalists, and expected to significantly deteriorate the performance of oversized specialists. Budget allocation decisions based on conventional linear thinking can be suboptimal when the functional form of the relationship with performance exhibits strong departure from linearity. The increasing availability of big data provides the opportunity to revisit fundamental premises and correct for such biases and discrepancies.

The results of the study are relevant for (marketing) managers in general, and we also provide managerial guidance for each strategic firm type. Rather than use a simplistic heuristic such as 0.13 market share elasticity, managers are advised to decide how much emphasis they should give to strategies that improve market share depending on the elasticity applicable to their firms.

REFERENCE


ACKNOWLEDGMENTS

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THE EVOLUTION OF BUSINESS MODEL INNOVATION IN THE CONTEXT OF ENTREPRENEURIAL VENTURES: RESEARCH GAPS AND RECOMMENDATIONS AT THE INTERFACE OF ENTREPRENEURSHIP AND MARKETING

Shari LS Worthington, Worcester Polytechnic Institute

EXTENDED ABSTRACT

Business models reflect management’s understanding of customer needs, how and what they are willing to pay, and how the organization can meet those needs and generate a profit while doing so (Teece, 2010). Developing a business model can be a complex task for new companies, given the uncertainty and risk inherent in rapidly changing technologies. The development process may not end with the first business model. The ability to adapt or “pivot” a company’s business model has been cited as critical to business success (Ries, 2011), as entrepreneurs are unlikely to get the new venture’s strategy perfect out of the gate. Even experienced organizations struggle defining their business models. Initial selections of business models often have to be abandoned or adapted as unavailable information becomes known. To profit from innovation, some scholars assert that entrepreneurs need to be as good at developing new business models as they are at developing new products (Chesbrough, 2010).

Recent research shows how business models can emerge from a trial and error process where entrepreneurs test their assumptions about products, customer expectations, distribution channels, and internal operations (Eisenmann, Ries, Dillard, 2012). This dynamic view of business model change led to the creation of terminology and constructs to explain the phenomena. Although there is no agreed upon definition, business model innovation (BMI) generally refers to the discovery of fundamentally different ways to create and capture customer value (Casadesus-Masanell & Zhu, 2013) or a modification or improvement of at least one of a company’s value dimensions (Abdelkafi, Makhotin, & Posselt, 2013). Scholars also refer to this process as business model adaptation, business model evolution, or business model transformation.

A search for the term “business model innovation” on Web of Science produces 783 publications between 2005 and 2018. As our interest in this literature review is at the interface of entrepreneurship and marketing, we narrowed the search to the following terms: “business model innovation” OR “business model adaptation” OR “business model evolution” OR “business model transformation” AND “entrepreneurship” OR “SME” in A* and A journals (per the Australian Business Deans Council). This produced 34 articles that, as a result of a rigorous peer review process, provide a higher likelihood of validated knowledge. The 34 articles were published in a variety of journals—technology management (15), business management (6), entrepreneurship (5), strategy (5), and marketing (3) – and covered a variety of research approaches – conceptual (8), qualitative (17), quantitative (6), and lit review (3). The low number of entrepreneurship and marketing articles is interesting, given the importance of entrepreneurial orientation, market orientation, and marketing communications on performance in SMEs.

It was found that a majority of the articles did not specify a theoretical framework, indicating a lack of good theory on which we can build future research. Of those that did specify a theory base, they are split between firm and individual level analyses, e.g. resource based view, dynamic capabilities, creation vs discovery, cognitive schema. There is also no agreement as to the value constructs or intensity of variation needed to define a fundamentally different business model, although there does appear to be coalescing around three core constructs: value proposition, value creation, and value capture (see table). From these, we tie the literature to a recommended approach for indicating level of intensity of change: (a) business model evolution, an incremental change to one of the three value dimensions of the business model, (b) business model adaptation, changes to two of the three value dimensions of the business model, independent of the degree of innovativeness, and (c) business model innovation, changes to all three dimensions of the business model, independent of the degree of innovativeness.
### Table 1: Literature Review

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Additional gaps in the literature are identified and discussed. What influence do different parties have on BMI: founders, investors, customers, marketers, other external partners? How does the spectrum of market orientation behaviors influence BMI, from market-driven to market driving? How do different levels of customer perceived value influence BMI? Can existing scales be used to measure customer perceptions as an indicator of the need for BMI?

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