Innovative Behavior of Entrepreneurs – a Systematic Literature Review

Alexander Fust
Dr., research associate
Research Institute of Small Business and Entrepreneurship
University of St. Gallen
Dufourstrasse 40a
9000 St. Gallen
Switzerland
Tel: +41 71 224 71 44
Fax: +41 71 224 71 01
e-mail: alexander.fust@unisg.ch

**Key Words:** Innovative Behavior, Opportunity Recognition, Systematic Literature Review
Innovative Behavior of Entrepreneurs – a Systematic Literature Review

Aim of the Paper

Firms like Apple, Google and Amazon, among many others, have changed their markets by introducing products and services delivering higher value for their customers. Schumpeter (1934) calls this process creative destruction as new offerings replace former established ones. These innovative endeavors were initiated by entrepreneurs and their teams by their distinct behavior.

Entrepreneurship scholars have well-received such phenomena and made an effort to shed further light on how entrepreneurs recognize opportunities in general. It resulted in studies differentiating factors which affect opportunity recognition (e.g. Ardichvili et al., 2003). They found specific cognitive abilities such as entrepreneurial alertness (e.g. Tang et al., 2012), specific learning processes (e.g. Dimov, 2007), prior knowledge (Shane, 2000) and social networks (e.g. Arenius & De Clercq, 2005) influencing opportunity recognition. Only few scholars have analyzed how entrepreneurs recognize innovative opportunities. They found that certain behavior such as experimenting or idea networking result in innovative ventures (e.g. Dyer et al., 2008).

Despite the importance of this topic and some efforts to categorize factors of opportunity recognition in general (e.g. Ardichvili et al., 2003) there is a need to give an overview about the behavior of innovative entrepreneurs recognizing opportunities in new ventures and existing businesses.

Thus, I aim to give an overview of extant literature dealing with behavior of entrepreneurs which influences the recognition of innovative opportunities. The contribution to entrepreneurship and small business research lies in shedding further light on the opportunity recognition process. The focus on innovative outcomes shows one important special form of opportunities. A systematic literature review (SLR) is used in order to gauge the width of scholarly discussions.

Background Literature

Innovative entrepreneurs are defined herein as entrepreneurs recognizing opportunities with a high degree of novelty. This definition corresponds to results of Dyer et al. (2009) who found that innovators act and think differently with respect to opportunity recognition and exploitation. This definition is the foundation of the SLR being outlined hereafter.

Methodology

A systematic literature review is useful when a wide amount of studies has to be identified in a transparent and reproducible way (see Tranfield et al., 2003). When conducting a SLR as method for this study I followed the steps recommended by Tranfield et al. (2003) and Pittaway and Cope (2007). First, journals were searched with high impact factors in entrepreneurship and small business as well as in general management research addressing entrepreneurship topics. Second, keywords were developed by brainstorming of two researchers after reading most prevalent articles on that topic. Keywords were categorized into the following three distinct dimensions, whereby the number of found keywords is indicated in parentheses: behavior (29), innovative characteristics of entrepreneurs (1) and entrepreneurial outcomes (3). Third, in a first search in title and abstracts using these keywords 279 articles were found. Fourth, 65 articles remained after reading titles as well as abstracts and eliminating irrelevant articles. Fifth, references of these articles were analyzed in order to find further relevant studies resulting in 19 additional sources. Sixth, key authors and their contributions were searched if they studied innovative behavior. 29 new studies could be found leading to 107 articles and six books. Seventh, a first order coding identified relevant paragraphs of the literature, however, eliminating 32 sources as they did not focus on innovative entrepreneurs. Eighth, two researchers independently conducted a second order coding referring to Denyer and Neely (2004), Hansen et al. (2011) and Tranfield et al. (2003). The two raters coded the data, either by using existing codes from the literature or by developing emerging ones. Finally, results were compared by the two raters discussing the most adequate solution if divergence occurred during coding.

Results and Implications

A descriptive analysis of the sources shows a growth in studies in recent years. More than half of the studies found were published later than 2006. Furthermore, European and North American authorship dominate using mainly surveys or approach the topic conceptually.

Although diverse, we could differentiate various dimensions of innovative entrepreneurial behavior. First, for the most part articles analyzed entrepreneurs’ networking behavior. Entrepreneurs use different information channels for opportunity recognition. They gather useful information for opportunity recognition in discussions with other individuals. Researchers discuss the effects of structural, relational or cognitive factors on innovative outcomes controversially (e.g. Arenius & De Clercq, 2005; Smith et al., 2009). Second, observation is another
studied behavior of innovative entrepreneurs. They observe their markets, environment, their current or potential customers, suppliers and competitors (Dyer et al., 2008; Hansen et al., 2011). Third, entrepreneurs’ search behavior is diverse. Some scholars argue for an active and purposeful search whereby others highlight passive search strategies of entrepreneurs (e.g. Baron, 2006). Fourth, innovative entrepreneurs are capable of combining seemingly unrelated information better than others (Dyer et al., 2009). Cognitive processes such as different mental schemas, associational thinking or pattern matching might play a role in this respect (Baron, 2004; Dyer et al., 2009; Ucbasaran et al., 2009). Fifth, questioning the status quo refers to a critical examination of the current situation in the market. Sixth, entrepreneurs differ in which information channels they gather to create new knowledge. For example Fiet and Patel (2008) argue that specific information channels are more useful for entrepreneurs than general information being available for many. Seventh, experimenting physically and cognitively is a mean for gathering new insightful information (Marvel, 2012). These seven factors of innovative behavior identified by the SLR help consolidating previous studies in order to build a fruitful ground to further investigate the topic.

Practitioners benefit from this study by receiving insights from these seven factors about how innovative entrepreneurs approach opportunity recognition. Thus, they get support when aiming to recognize innovative opportunities.

Although we minimized potential limitations by specific measures, there still remain some. The choice of journals and articles can be biased, which is inherent in all SLR. Furthermore, there could be other relevant keywords for the search string. Finally, coding could be biased although more than one rater checked the data in order to increase reliability.

We encourage scholars to continue efforts to empirically assess the innovative behavior of entrepreneurs not only qualitatively but also quantitatively (see Dyer et al., 2008). Our research field would benefit from further integrating the additional factors of innovative behavior found herein. In a further step scholars could analyze if innovative entrepreneurs are more successful than other entrepreneurs building on research about newness of innovation and its effects on performance (see the meta-analysis of Rosenbusch et al., 2011). This could be context specific as for example saturated markets might require other behavior than markets with different characteristics. Finally, we suggest analyzing differences, for example between teams of entrepreneurs or between novice and experienced entrepreneurs.

References

