



# In user's shoes: An experimental design on the role of perspective taking in discovering entrepreneurial opportunities☆



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## ABSTRACT

In this paper we investigate how the entrepreneur's ability of taking the perspective of the user in a market enhances opportunity identification. We also show how prior knowledge of the market positively moderates the relationship between user perspective taking and opportunity recognition. Our study is grounded in entrepreneurship contributions that try to disentangle the role of cognitive processes in opportunity recognition. We confirm our intuition through a one-factorial between-subject experiment and we discuss our findings for entrepreneurship research and user innovation literatures.

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## 1. Executive summary

Research in entrepreneurship has investigated cognitive traits that in addition to stock of information can spur market opportunities. In this paper we focus on a specific cognitive mechanism: user perspective taking, which means assuming the user's perspective when approaching a market. We specifically deduce two hypotheses that untangle cognitive processes of user perspective taking in an entrepreneurial setting, highlighting how an entrepreneur can enhance her ability to identify market opportunities by putting herself in the user's mind. User perspective taking can in fact provide the linking and underlying mechanism to develop not only the needed knowledge about a specific market segment but also the motivation to act-as by entering oneself in users' minds and being able to figure out how to meet their expectations can increase one's confidence in one's actions and intrinsic motivation to find an appropriate solution to the needs of those whose perspective has been shared.

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To validate our conceptual and anecdotal intuitions, we set up one experimental study. The main results show that user perspective taking actually enhances an entrepreneur's ability to recognize market opportunities. It also shows that prior knowledge measured as technical expertise of the entrepreneur positively moderates the relationship between user perspective taking and opportunity recognition.

Overall, we believe that our study makes three main contributions to entrepreneurship research. First and most important, we suggest that user perspective taking represents a new and powerful cognitive variable. While entrepreneurship studies have begun to highlight cognitive properties that characterize entrepreneurs' alertness, we suggest that user perspective taking adds an important extra dimension. In particular, taking the user's perspective can enhance entrepreneurs' creativity by allowing them to better identify latent user needs and to address user needs by recombining and integrating their previous knowledge. User perspective taking lets entrepreneurs identify market opportunities that are not only more innovative, but also more desirable and aligned with the user needs.

Second, our study shows, on the one hand, how prior knowledge negatively impacts opportunity identification but, on the other, acts as a positive moderating mechanism in the relationship between user perspective taking and opportunity identification. We show that when entrepreneurs are equipped with coherent cumulated expertise they can better leverage their ability to assume the user's perspective to understand the user's problems and find a proper solution. Hence, by introducing the interaction between user perspective taking and prior knowledge, we contribute to shed further light on the relationship between an individual's prior knowledge and her ability to cognitively process information and identify entrepreneurial opportunities.

Third, our work provides a contribution to the user innovation literature. By allowing entrepreneurs to overcome cognitive barriers to knowledge transfer and to discover new market opportunities, user perspective taking may be a fungible way to connect entrepreneurs with users. Entrepreneurs' propensity to take users' perspective can enhance their ability to recognize opportunities and their chances to create new ventures that match specific market preferences. The stronger this effect the more user perspective taking is combined with prior entrepreneur's knowledge.

We conclude our contribution by discussing the limitations of our studies and by providing some suggestions for promising avenues for future research in the fields of entrepreneurship, perspective taking and user innovation.

## 2. Introduction

Entrepreneurship has been defined as the scholarly field aimed at understanding “*how opportunities to bring into existence future goods and services are discovered, created, and exploited*” (Venkataraman, 1997: 120). Recognizing the right opportunities for new businesses is among the most important abilities of successful entrepreneurs (Stevenson and Gumpert, 1985).

Research in entrepreneurship has highlighted information corridors as a primary cause of the discovery of entrepreneurial opportunities. As noted by Shane and Venkataraman (2000: 222): “*human beings all possess different stocks of information, and these stocks of information influence their ability to recognize particular opportunities*”. More recently, scholars have investigated cognitive traits that in addition to stock of information can spur market opportunities (e.g., Busenitz and Barney, 1997; Haynie and Shepherd, 2009; Haynie et al., 2010; Shaver and Scott, 1991; Smith et al., 2009). Cognitive mechanisms can in fact crucially affect how entrepreneurs interact with their environments and create new opportunities (Shaver and Scott, 1991; Mitchell et al., 2008). Cognitive mechanisms are especially relevant to entrepreneurship when demand is considered not given but something that entrepreneurs should try to “*do something about*” (Penrose, 1959: 80; see also Alvarez and Barney, 2007).

Following this line of reasoning, we focus on a specific cognitive mechanism: user perspective taking, which means assuming the user's perspective when approaching a market. Perspective taking (henceforth, PT) can be defined as “*the ability to infer other individuals' mental states, to consider their perspective, and thereby to interpret and predict their actions*” (Wu and Keysar, 2007: 600). A large body of literature suggests that the ability to understand another person's viewpoint can benefit all parties. This ability is positively related to sensitivity (Parker and Axtell, 2001) and helps people empathize with others' feelings (Batson, 1994). PT has been found to diminish egocentric biases in judgments (Savitsky et al., 2005; Wade-Benzoni et al., 1996), to favor successful conflict resolution (Eiseman, 1978; Paese and Yonker, 2001), and to support the coordination of social goals by creating social bonds (Galinsky et al., 2005).

In this paper, we deduce two hypotheses that untangle user PT in an entrepreneurial setting, highlighting how an entrepreneur can enhance her ability to identify market opportunities by putting herself in the user's mind. We specifically focus on users because market demand is central in opportunity identification (Shane and Venkataraman, 2000) and because in general “*consumers are arbiters of value*” (Priem, 2007: 219). In a recent review of entrepreneurship literature, Priem et al. (2012: 352–353) noted that the process of new value creation depends “*on a start-up entrepreneur's ability to successfully recognize and exploit consumer demand that is unknown to or undervalued by more established firms*”. Relatedly, in a rich literature on innovation, users have been associated with the ability to identify successful innovations (Von Hippel, 1988, 2005).

While grounded in theory, our user PT model is also based on anecdotal evidence. In fact, Thomas Edison (2012: 38)—one of the greatest inventors and most famous entrepreneurs of all times—once said, “*Anything that won't sell I do not want to invent. Its sale is proof of its utility and utility is success*”. And modern entrepreneurs to connect to the market stress empathy and PT as an important variable. For instance, Virgin CEO Richard Branson (2009) claims that “*when we start a new venture, we base it on hard research and analysis. Typically, we review the industry and put ourselves in the customer's shoes to see what could make it better*”. Similarly, celebrity chef Gordon Ramsay (2007), famous worldwide for his hit TV series Hell's Kitchen, remarks “*the secret of a successful chef is to put himself in the customer's position. By that, I mean thinking about what they want*”.

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