



The role of demand-side narratives in opportunity formation and enactment



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ABSTRACT

Our understanding of how entrepreneurs capture knowledge about market needs and identify and exploit promising opportunities remains limited, despite the abundance of studies on the origins of opportunities. We propose that *demand-side narratives*—the cumulative articulations of needs, desires, ideas and experiences of demand-side participants—form a key micro-foundation of opportunity formation and enactment. New digital infrastructures such as social media facilitate the co-creation, sharing and collective interpretation of these narratives. We further propose that entrepreneurs' success in forming and enacting opportunities revealed by these narratives is enhanced by their cognitive capabilities related to demand articulation and resource mobilization. Our discussion seeks to improve our understanding of the cognitive underpinnings of opportunity formation and enactment and holds important implications for future research and practice in entrepreneurship.

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1. Introduction

In a dynamic global market, demand is best characterized by fragmentation and heterogeneity. Consumer needs are also fluid and change rapidly, making it essential for entrepreneurs to seek and capture clues about opportunities in real time. Information about heterogeneous consumer needs or discontinuities in consumer preferences is often embedded in ongoing customer “conversations” about their own personal needs and desires. These narratives provide important signals of changing (or evolving) customer needs, offering a window into potential opportunities. Prior studies have emphasized the importance of interactions and relationships with customers and other demand-side participants as a critical vehicle for knowledge acquisition for entrepreneurs (e.g. Chandra and Leenders, 2012; Priem et al., 2012; Yli-Renko et al., 2001). However, our understanding of how entrepreneurs capture knowledge about market needs and form promising opportunities from demand-side narratives remains limited. As a result, in this paper, we ask: how and under what conditions do entrepreneurs' identify and exploit opportunities that are revealed in these narratives?

In this paper, we address this question by drawing on the demand-side approach—a perspective that is consumer-centric and which emphasizes product markets as key sources of value-creation (Adner and Snow, 2010; Priem, 2007). Specifically, we propose that demand-side narratives form a key micro-foundation of entrepreneurs' opportunity formation and enactment. These narratives are defined as cumulative articulations of needs, desires, problems, ideas, solutions, perceptions,

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and everyday experiences of diverse demand-side participants (customers, users, market intermediaries, etc.) that constitute the market possibilities or the opportunity space. These narratives are revealed in communications and interactions among these diverse groups and vividly convey consumers' views, emotions, hopes, fears, aspirations, intentions and experiences around a perceived need. They also reveal the nature of issues or problems customers face and/or their expectations and possible solutions in a given context. Narratives “construct realities rather than reduce them through modeling ... and as such they grasp the complexities of real life events” (Khan and Sarv, 2013, p.204). As a result, the value of narratives in fostering innovation has been suggested before in the context of brand communities and communities of practice (e.g., Brown and Duguid, 1991; Muniz and O'Guinn, 2001) and in the broader context of strategic management (Müller and Becker, 2013).

Demand-side narratives have other important advantages in the context of opportunity formation and enactment. They allow entrepreneurs to learn about customer needs early and give them a chance to better understand the forces shaping these needs. Narratives could also reveal original ideas or “solutions” offered by customers. Importantly, narratives evolve with the participation and contribution of different demand-side participants and entrepreneurs can take part in such ongoing discussions; they can ask for clarification, probe or test competing claims, and even thread together ideas from multiple narratives.

The emergence of new digital infrastructures such as social media and virtual worlds facilitate the gradual co-creation (or social construction) of narratives as consumers share their individual experiences and perceptions and thereby edit, refine, enrich and sharpen the needs delineated in a narrative. As recent studies indicate, diverse types of such digital forums—crowdsourcing and crowdfunding platforms (Mollick, 2014; Stanko and Henard, 2016), social media (Azkarate and Croasdell, 2013; Fischer and Reuber, 2011), virtual worlds (Chandra and Leenders, 2012; Wasko et al., 2011), digital 3D printing forums (Rayna et al., 2015), and digital makerspaces (Mortara and Parisot, forthcoming)—assume greater significance as a venue for entrepreneurs to easily and relatively inexpensively access, interpret and act upon such demand-side narratives.

Building on recent research on the cognitive processes that underlie opportunity formation and enactment (e.g., Garud and Giuliani, 2013; Garud et al., 2014; Grégoire et al., 2011; Read et al., 2009), we consider how entrepreneurs make sense of signals of change and form beliefs about emerging opportunities revealed in demand-side narratives. We also focus on two associated sets of cognitive capabilities: (a) demand articulation capabilities (e.g., Kodama, 1995) that relate to contextualizing, comparing, and integrating knowledge from narratives to formulate opportunities; and (b) resource mobilization capabilities (e.g., Stuart and Sorenson, 2007) that relate to identifying, acquiring, and transforming knowledge resources to enact opportunities. Our discussion highlights important directions for future research and practice in this area, particularly in revealing the cognitive underpinnings of opportunity formation and enactment in an increasingly digital world.

2. Demand-side narratives and opportunity formation and enactment

Demand-side narratives serve as a primary resource for entrepreneurs to explore, examine and clarify both the problem space and the solution space; i.e., narratives serve as the means to drive the cognitive processes that underlie opportunity formation and enactment. Entrepreneurs create new opportunities by contextualizing the signals that narratives offer—signals regarding changes in market or customer aspirations—in an incremental and inductive manner through their interactions with actors in various (digital and/or non-digital) forums.

Recent literature in entrepreneurship has depicted the creation of entrepreneurial opportunities and their enactment as intertwined, emergent processes with distributed entrepreneurial agency (Alvarez et al., 2013; Garud and Giuliani, 2013). Accordingly, opportunity formation involves “meaning making” (Bruner, 1990) and “transforming the extant world into new possibilities” (Venkataraman et al., 2012, p. 26) through a co-evolutionary process (Garud and Karnøe, 2003) in which the entrepreneur continually engages and interacts with other involved actors (Alvarez and Barney, 2007; Garud and Giuliani, 2013). Thus, opportunity formation can be depicted as a process of gradual development of narratives into opportunities through continued interactions among entrepreneurs and other demand-side actors—or a process of social construction (Berger and Luckmann, 1967) of opportunities from narratives. Thus, to the extent that entrepreneurs can engage with users and other demand-side participants and acquire narratives of needs and experiences, the more they will be able to develop, probe and refine those narratives further and conceive, create or form new entrepreneurial opportunities. Further, exposure to diverse set of narratives would likely facilitate better interpretation of such market signals and the formation of associated opportunities. These diverse strands of knowledge also could help entrepreneurs to cross-validate consumer needs with information from multiple sources, giving them critical insights into the ‘use value’ (Bowman and Ambrosini, 2000; Priem, 2007) associated with potential opportunities.

Still, beyond a threshold level, entrepreneurs' efforts at acquiring and interpreting increasing sets of such demand-side narratives would likely bear diminishing returns in terms of formulating actionable opportunities. Reconciling competing narratives and the distinct “worldviews” they represent would likely consume considerable entrepreneurial resources. Further, a multitude of such demand-side narratives may pull an entrepreneur in different directions or towards wildly varying set of market possibilities that enhance his/her action-specific uncertainty (McMullen and Shepherd, 2006), potentially derailing opportunity formation.

Now consider the role of demand-side narratives in opportunity enactment. Opportunity enactment can be viewed as an

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