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Golden opportunities for silver innovation: How demographic changes give rise to entrepreneurial opportunities to meet the needs of older people



Florian Kohlbacher^{a,*}, Cornelius Herstatt^b, Nils Levsen^b

^a German Institute for Japanese Studies (DIJ) Tokyo, Japan Jochi Kioizaka Bldg. 2F 7-1 Kioicho Chiyoda-ku, Tokyo 102-0094, Japan

^b Hamburg University of Technology, Germany

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ABSTRACT

This paper deals with the recognition and exploitation of opportunities arising from demographic changes in the form of population aging. Moreover, it explores the product development process for solutions to meet the demand of the increasing number of older people due to the demographic shift. Using a qualitative approach, we analyze opportunity identification and exploitation in the “silver” market (i.e. the market targeting older people). We employ a multiple case analysis based on six different approaches to opportunity recognition and exploitation in the form of product innovations addressing specific needs of older people. Our cases present how firms in different industrial contexts and user settings tackle these needs. We contribute to the state-of-the-field in entrepreneurship and innovation management by providing insights on (a) opportunity recognition and exploitation in connection with demographic change, (b) innovation management and product development for older users, (c) the wider context of opportunity recognition beyond the individual level of the entrepreneur (i.e. the individual-opportunity nexus), and finally (d) the under-researched exploitation process subsequent to opportunity recognition.

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1. Introduction

The role of opportunities as well as their recognition (identification), creation, and exploitation has become an essential theme in strategic entrepreneurship (Busenitz et al., 2003; Shane and Venkataraman, 2000; Short et al., 2010). Entrepreneurial opportunities manifest themselves in many different ways. They form and exist in both product and factor markets (Eckhardt and Shane, 2003; Shane and Venkataraman, 2000). However, the entrepreneurship literature mostly takes a similar view of opportunities, paying little attention to distinguishing between their different features (Hill and Birkinshaw, 2010). Moreover, although entrepreneurship is concerned with both the discovery and exploitation of profitable business opportunities (Shane and Venkataraman, 2000), the former has received much more attention in the literature than the latter (see also Jong, 2013; Katila and Mang, 2003). In particular, very few studies have focused on the decision to begin exploitation (Choi and Shepherd, 2004), even though the identification of an opportunity, while necessary, is not a sufficient condition for actual opportunity exploitation (Dosi, 1988).

Previous research has identified various antecedents to opportunities and their recognition, including the entrepreneur's cognitive processes, personality traits, social networks, prior knowledge, experience (Ardichvili et al., 2003; Baron, 2006; Shane, 2000), and available resources in general (see van Burg et al., 2012 for a review). These studies have primarily focused on individuals (i.e. entrepreneurs) (see e.g. Short et al., 2010 for a review; see also Dimov, 2007; Eckhardt and Shane, 2010), neglecting the wider context. However, opportunities' context is crucial for their recognition and exploitation. As Busenitz et al. (2003) point out, opportunities often evolve from interactions between markets and environments that involve the creation of new means–ends relationships. Consequently, not only the internal processes involving individuals but also the external processes emanating from the greater social environment shape the links between opportunities and their antecedents and outcomes (Short et al., 2010; see also Dimov, 2007, 2011). Environmental change is usually considered a source of business opportunities (McMullen and Shepherd, 2006). Thus, changing demographics, social change, the emergence of new market segments, and changes in governmental regulations are conditions that may create entrepreneurial opportunities (Ireland et al., 2003; van Burg et al., 2012). Changes in technology, regulation, and other factors generate information about the different uses of resources. This new information may be the result of either exogenous shocks or incongruities/asymmetries due to

* Corresponding author. Tel.: +81 3 3222 5944; fax: +81 3 3222 5420.
E-mail address: kohlbacher@djtkojo.org (F. Kohlbacher).

the creation of new knowledge, government action, and demographic changes (Drucker, 1985; Eckhardt and Shane, 2003).

The creation of new knowledge (Eckhardt and Shane, 2003) – typically technological change – is the most researched shift, while studies focusing on opportunities in connection with other exogenous shocks or external trends are relatively scarce. To the best of our knowledge, there are no empirical studies on opportunity recognition in the context of one of the most challenging global trends: demographic change in the form of population aging. This lack of research is despite Drucker (1985) having listed demographic change as one of the seven sources of innovative opportunity almost 30 years ago. Since then, only Aldrich and Cliff (2003) have studied emerging opportunities in connection with the demographic trend of changing family structures and systems in North America. However, their research is not based on primary empirical data and does not investigate older people as customers. We found no research on older customers and opportunity recognition even though this customer group (aged 50 and above) is rapidly growing as demographic changes in the form of population aging are affecting many countries worldwide (Kohlbacher and Herstatt, 2011; Kohlbacher and Hang, 2011). Considering the importance of the customer groups that need to be served, it is surprising that there is only limited research on how companies and entrepreneurs recognize opportunities. It is hard to imagine how to identify or create opportunities without the customer in mind, or as Webb et al. (2011) put it: “Where is the opportunity without the customer?”

Our paper deals with the recognition and exploitation of opportunities arising from population aging and the product development processes used to create solutions for senior customers. Using a qualitative approach, we analyze opportunity identification and exploitation in the “silver” market (i.e. the market targeting older people). We employ a multiple case analysis based on six approaches to opportunity recognition and exploitation in the form of product innovations addressing the specific needs of older people. Our cases present how firms in different industrial contexts and user settings tackle these needs. We contribute to the literature by providing insights into (a) opportunity recognition and exploitation in connection with demographic change, (b) innovation management and product development for older users, (c) the wider context of opportunity recognition beyond the individual level of the entrepreneur (i.e. the individual-opportunity nexus), and, finally, (d) the under-researched exploitation process subsequent to opportunity recognition.

2. Opportunity recognition and exploitation

Despite the recent interest in and increase in studies on entrepreneurial opportunities, many scholars have pointed out that more research is needed as the literature on the opportunity recognition process “is still largely undeveloped” (Park, 2005) or “still fairly embryonic” (Hill and Birkinshaw, 2010). Ardichvili et al. (2003) conclude that “we are still far from developing a comprehensive theory of opportunity identification and development.” In other words, while our understanding of the opportunity recognition process has become clearer, it seems that we are still unable to fully grasp its nature (see also Baron and Ensley, 2006; Mitchell and Shepherd, 2010).

Entrepreneurial opportunities can be defined as “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means–ends relationships” (Eckhardt and Shane, 2003, p. 336). It is important for business practitioners to identify new opportunities since they can lead to increased profits, growth, and an improved competitive positioning (Gregoire et al., 2010). Research has shown that entrepreneurs' opportunity recognition

skills influence business performance as they mediate the impact of entrepreneurs' personal qualities and management skills on venture performance (Sambasivan et al., 2009).

Entrepreneurial action can be viewed as a two-stage process involving opportunity recognition and opportunity exploitation (McMullen and Shepherd, 2006; Mitchell and Shepherd, 2010; Shepherd et al., 2007). Once an opportunity is recognized, potential entrepreneurs must decide whether or not to exploit it (Shane and Venkataraman, 2000). Put differently, opportunities are only exploited when people decide to act (Jong, 2013).

There are two dominant views on the opportunity construct: the first one posits that opportunities are discovered, i.e. that opportunities are “out there” waiting to be discovered by entrepreneurs. The other view is that opportunities are created, i.e. they are a function of actions that occur during entrepreneurial processes (Alvarez and Barney, 2007; Short et al., 2010). Obviously, entrepreneurs can proactively create opportunities by shaping the conditions (e.g. credit facilities, regulatory arrangements, business ecosystem participation, etc.) that make it feasible to exploit the opportunity in question. This means that opportunities are also created from previous acts of entrepreneurship (Holcombe, 2003). Whether entrepreneurial opportunities are discovered or created has generally been considered context-dependent, with some contexts being more conducive to the one, while others foster the other (Alvarez and Barney, 2007; Zahra, 2008). However, recent studies have concluded that the two approaches are often used simultaneously (Vaghely and Julien, 2010), or that both are needed or “recursively implicated” (Chiasson and Saunders, 2005) since “the link between discovery and creation is what gives opportunities their substance and meaning” (Zahra, 2008, p. 254). The same is true for the relationship between opportunity identification and exploitation as these processes occur in two nested stages and are thus interconnected and iterative.

In general, entrepreneurs seem to consider opportunities more attractive if they complement their existing knowledge resources, i.e. relate to their knowledge, skills, and abilities (Haynie et al., 2009; see also Choi and Shepherd, 2004; Shane and Venkataraman, 2000). As with opportunity identification, entrepreneurs' prior experience also seems to be positively related to opportunity exploitation (Ucbasaran et al., 2009). Overall, the decision to exploit entrepreneurial opportunities can be seen as a function of the opportunity's nature and entrepreneurs' characteristics, perceptions, and capabilities (Shane and Venkataraman, 2000; see also Baron, 2006), including their social ties and reputation (Wood and McKinley, 2010), as well as stakeholder support (Choi and Shepherd, 2004).

Regarding the opportunities arising from demographic changes in the form of population aging, it is important to realize that the silver market is not to be understood as one big, homogeneous market but rather as a conglomerate of many (sub-) markets, which partly overlap with existing ones due to the very heterogeneous needs and capabilities of the target group. The diversity of these submarkets in terms of customer groups is also reflected in silver innovations' varied forms and functions, and the variety of industries in which they are developed and sold (Kohlbacher et al., 2011; Kohlbacher and Hang, 2011).

As a consequence of the two-dimensional heterogeneity of silver products and services, the process of opportunity identification and exploitation can be expected to vary quite substantially. Since the silver market includes diverse customer groups, defies conventional boundaries between product and service categories, and is served by companies from various industries, established systematic approaches to opportunity identification and exploitation might not be appropriate for this group. Given this challenge, key questions pertain to the identification and exploitation of opportunities and the strategies that companies employ in the silver market: how do demographic changes give rise to

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