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## Triggers entrepreneurship among creative consumers

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## ABSTRACT

While entrepreneurship has received much attention, little research has focused on end user entrepreneurship, which refers to entrepreneurship by consumers who develop innovative solutions that better answer their daily personal needs. This exploratory research aims to provide a deeper understanding of what motivates end user entrepreneurs to found firms. Based on a qualitative study conducted among 20 end user entrepreneurs, our data suggest that three significant factors may lead consumers to switch to an entrepreneur role: (1) intrinsic motivations - passion, enjoyment and the willingness to help others - rather than extrinsic ones - rational search for profit and search for recognition; (2) the lack of alternative ways to diffuse their innovations in the market; (3) favorable life periods with minimum implied risk to their professional activity. This paper contributes to both user innovation and user entrepreneurship literature by extending academic knowledge and provides opportunities for further research.

## 1. Introduction

"I'm Gary Fisher. I've been called the founding father of mountain biking. I don't know about that, but I do know this: I love bikes. Riding them, building them, making them better. Cross bikes, mountain bikes, town bikes. Bikes for fun, for transport, for everything. I love them all."<sup>2</sup> In the early 1970s, Fisher wanted a bike he could ride off-road, "away from cops, cars, and concrete."<sup>3</sup> He went on to develop a new genre of biking. Later, he decided to go into business and created a bicycle company called Mountain Bikes. Similarly, during his spare time, Marc Grégoire invented a new non-stick material for fishing: Teflon®. His wife suggested he might coat her set of cooking pans to make washing-up easier.<sup>4</sup> After registering a patent, Grégoire decided "to sell the idea to the manufacturers. But they took no notice of him" (Le Masson, Weil, & Hatchuel, 2010). At this point, he subsequently decided to produce non-stick cookware and to create his own firm, "Tefal," which became a part of the global Group SEB. Both Fisher's and Grégoire's anecdotal cases are striking illustrations of the phenomenon of user entrepreneurship (Shah & Tripsas, 2007). User entrepreneurship describes the new venture creation and commercialization of a new product or service by an individual or group of individuals who are also users of the product or

service and who experience a need for improvement (Shah & Tripsas, 2007). This need can be related to a job (professional user entrepreneurs) or personal use (end user entrepreneurs).

Empirical studies have shown that 10.7% of all startups and 46.6% of innovative startups (that survived to their fifth year) created in the United States in 2004 were founded by users (Shah, Winston Smith, & Reedy, 2011). Other studies find that 29% of US-based medical device startups and 84% of large and small firms in the juvenile products industries (263 firms created between 1980 and 2007) were founded by users (physicians in the first case and parents, babysitters and caregivers in the second) (Chatterji, 2009; Shah et al., 2011; Shah & Tripsas, 2007, 2016). Over the past 10 years, these empirical patterns highlighted the magnitude and importance of user entrepreneurship for the industrial system (Winston Smith & Shah, 2014). However, as firm founders, end users (in contrast with professional users) remain relatively unexplored by scholars, even though the Kauffman Firm Survey, conducted among a sample of 5000 startups launched in 2004, showed that 40% of user entrepreneur firms were created by end user entrepreneurs (Shah et al., 2011).<sup>5</sup>

This exploratory study focuses exclusively on consumer entrepreneurs and aims to extend our knowledge of this unconventional

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<sup>2</sup> [http://www.bblawnequipment.com/products/Cycles\\_And\\_Fitness\\_Equipment](http://www.bblawnequipment.com/products/Cycles_And_Fitness_Equipment).

<sup>3</sup> [http://www.trekbikes.com/uk/en/collections/gary\\_fisher/](http://www.trekbikes.com/uk/en/collections/gary_fisher/).

<sup>4</sup> <http://www.tefal.co.uk/about-tefal/our-history>.

<sup>5</sup> 40% by professional user entrepreneurs and 20% by hybrid professional/end user entrepreneurs (Shah et al., 2011).

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but growing form of production. More precisely, we aim to shed light on why, in some cases, innovative consumers decide to diffuse and commercialize a solution they have developed for their own use, by creating their own business and starting a for-profit company. To address this aim, we interviewed 20 innovative consumers who developed a product or service related to their daily consumption experience and, subsequently, decided to found firms. Based on our results, we develop a set of research propositions about the factors that lead consumers to switch to an entrepreneurial role.

## 2. Literature review

### 2.1. The user innovation phenomenon

Von Hippel's pioneering work opened a tremendous research stream that challenges the traditional dominant perspective that *“the firm produces goods and services for the user.”* Von Hippel's view considers that consumers can be a source of innovation since they are able to find truly novel solutions that better fit their personal needs. This “paradigm shift” (Baldwin & von Hippel, 2011) has been supported by many empirical studies across different domains and countries.<sup>6</sup> In parallel, numerous examples illustrate the increasing enthusiasm of consumers for creative and do-it-yourself activities, ranging from cooking kits to home and car improvements (Dahl & Moreau, 2007), underlying a new consumption culture where passion and pleasure are at the heart of the search for a unique and personalized experience. This is emphasized by the multiple interactions and connections that are possible through the Internet, including the multiplication of social networks and user communities in every existing domain.

This visibly growing phenomenon rapidly interested companies that are continuously searching for innovative inputs to confront a highly competitive environment and high failure rates for new products. While certain companies are still “resisting” or “ignoring” the fact that users can be a valuable source of innovation, other firms adopt a positive attitude by “enabling” or “encouraging” them to co-create value (Berthon, Pitt, McCarthy, & Kates, 2007). The literature about user-driven innovation underlines the role and contribution of two major groups of consumers, including lead users (von Hippel, 1986) and creative consumers (Berthon et al., 2007; Cova, 2008). Von Hippel (1986) was the first to highlight the key role of lead users in the innovation process and to identify them as (1) being ahead of a general market trend and (2) expecting significant benefits from their motivation to tailor their own solutions to their advanced needs. The other group of interest is creative consumers, whom Berthon et al. (2007) define as *“consumers who adapt, modify or transform their own offer.”* They compare the status of lead users and creative consumers in four ways. First, unlike lead users, creative consumers are interested in all types of product offerings, new and old. Second, creative consumers are not necessarily at the forefront of future market trends; their innovations primarily serve their personal interest in the private sphere and can be shared with only a small group of individuals. Third, creative consumers do not need to benefit directly from their innovations; most of the time they are searching for pleasure and recognition from others. Fourth, creative consumers are less connected to companies. While Berthon et al. (2007) highlight these key differences between lead users and creative consumers, they also acknowledge overlaps between the two. They strongly recommend that companies take an interest in

<sup>6</sup> 6.1% of UK adult consumers have already developed a new product or modified an existing one in an innovative way (von Hippel, de Jong & Flowers, 2012); 5.4% in Finland (de Jong et al., 2015); 3.7% in Japan (Ogawa & Pongtanalert, 2011); 10.7% in France (Vermette & Hamdi-Kidar, 2013) and 10.8% in Austria (Franke et al., 2016). These findings have recently been discussed by Franke et al. (2016), who consider that these statistics are substantially underestimated.

consumers who can, on the one hand, constitute a pool of original ideas and, on the other, postpone product end-of-life.

Cova (2008) similarly compares these two types of consumers. He describes creative consumers as individuals who innovate through love and passion, who spend less, are more difficult for a company to manage and more community-committed than lead users. Cova (2008) explains that these two consumer profiles also share common features, such as enduring involvement in the product category and the pleasure gained by communicating their ideas. Regarding what motivates these individuals, Füller, Jawecki, and Mühlbacher (2007) report that *“80% of creative members participate in innovative actions because in doing so they experience pleasure and joy from it.”* This means that for creative consumers, the creative experience itself is experienced as a reward; there is no expectation of immediate benefits in their case.

Despite a broad consensus in previous work about the benefits of user-driven innovation, some have stressed the limitations of this literature. Lüthje and Herstatt (2004) were among the first to specify that the lead user method was more appropriate for industrial and niche markets and that most radical innovations were not developed by users. Trott, Van Der Duin, and Hartmann (2013) agree and criticize lead user theory from a conceptual, methodological and empirical point of view. Also, Bogers, Afuah, and Bastian (2010) call for a more explicit definition of user innovation by making a clear distinction between different types of innovations (incremental, radical, architectural, generational, modular or disruptive) and between invention and innovation (i.e. diffusion/commercialization). They point out that previous research has thoroughly documented users' motivations and processes of innovation but has failed to address a key point: why do some of these users decide to share their innovations more widely and want to start a new business, becoming user entrepreneurs? Few studies address this question. In the medical domain, Lettl and Gemünden (2005) identified the conditions under which innovative users switch to user entrepreneurs. They highlighted two main issues/challenges that user entrepreneurs face. First, user entrepreneurs experience great pressure when trying to find a solution in a context of scarce resources and skills. Second, user entrepreneurs lack an established and organized network. In the video game domain, Haefliger, Jaeger, and von Krogh (2010) developed a two-phase model to explain user entrepreneurs' market entry process in an industry. In the first phase, these creative users tend to *“start under radar of incumbent firms”* by combining the knowledge derived from their own product/service experience and the experimentation within a peer community. Then, in the second phase, they try to commercialize their innovation. In line with this work, Hienrth and Lettl (2011) revealed the crucial role social networks play, for example, in interactions between individual lead-users and their peer communities regarding new product diffusion and its acceptance as a standard. More specifically, they showed how social networks help creative consumers succeed thanks to feedback as well as increased access to technical, social and financial assets.

### 2.2. The user entrepreneurship phenomenon

According to Shah and Tripsas (2016), user entrepreneurship by and large introduces incremental and breakthrough technological changes, insights and contributions to the commercial marketplace and the industrial system. Innovative startups, whose founders are user entrepreneurs, are more likely to exploit patents than other types of startups (Shah et al., 2011). While sources of entrepreneurial activities and corporate venturing have attracted scholarly attention (such as firms' formation by employees and academics), user entrepreneurship remains relatively unexplored (apart from Shah and her colleagues' work). A burgeoning literature defines this phenomenon as new venture creations by individuals (professional or end users) who innovate initially to satisfy their own needs, which are unfulfilled by existing products or features (Agarwal & Shah, 2014; Shah & Tripsas, 2007).

In an extensive seminal and empirical survey of the juvenile product

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