INVESTOR ENGAGEMENT AND THE INTERACTION OF THE OPPORTUNITY AND THE ENVIRONMENT: ALERTNESS TO CUSTOMER NEEDS AND TO NEW TECHNOLOGIES (SUMMARY)

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Principal Topic

How entrepreneurs relate to their opportunities remains a puzzle that obscures scholarly understanding of the opportunity itself. This paper develops theory on why some entrepreneurs seem to focus on developing a technology while others focus on a customer need. We propose that entrepreneurs are alert to different kinds of information and that these differences can be measured during the venturing process. We hypothesize that alertness to customer needs and alertness to novel technology will be curvilinearly related to investor engagement, such that greatest engagement will be achieved at moderate levels of both.

Method

To investigate our research question, we sought a sample of early-stage, high-technology ventures. We collected a dataset of 86 high-technology ventures in the early stages of the new venture process. These ventures were located in the Midwestern United States. The data were acquired from an organization engaged in assisting entrepreneurs in the formation of new high-technology ventures. We measured alertness to customer needs and alertness to novel technology by performing a computer-aided textual analysis of the ventures’ early-stage business plans. We analyzed sections of the business plans in which the entrepreneurs discussed customer needs and problems using Hart’s Hardship dictionary (1984). We assessed innovativeness using the innovativeness dictionary developed by Short and colleagues (2009). This latter dictionary measures one of the five dimensions of entrepreneurial orientation (Dess, Pinkham, & Yang, 2011).

Results and Implications

The results of this study supported our suggestion that the approaches entrepreneurs have in conceptualizing their opportunities have significant effects on investor engagement, an important firm-level outcome. Our results showed that both were important predictors, with customer need alertness being the stronger of the two. Our results make it clear that investors reward a balance in alertness to technology development and to the actual needs of possible customers. Our study suggests that the influence of founders (e.g. Beckman & Burton, 2008) is reflected in what opportunities they are alert to, how they approach opportunities they are engaged in, and how ventures evolve over time.

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