THE IMPLEMENTATION OF CREATIVE IDEAS: AN EXPERIMENTAL INVESTIGATION OF THE ROLE OF ENTREPRENEURS’ CONFIDENCE AND RISK-TAKING BEHAVIOR (INTERACTIVE PAPER)

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Principal Topic
While it is true that “all innovation begins with creative ideas” (Amabile, 1996: 143), not all creative ideas are implemented for innovations. Cognition influences the way individuals perceive, interpret and transform information, thus it plays a crucial role on individual innovation (Baron, 2004, 2007; Shane, 2003). Guided by entrepreneurial cognition theory, this research examines the role of confidence and risk-taking on entrepreneur’s ability to innovate. We built on a definition of individual innovation that encompasses three activities: 1) creative idea generation, 2) the evaluation of opportunities for these ideas and 3) their implementation.

Method
To test our hypotheses we conducted a laboratory experiment in which subjects have to solve a real management task effort using z-tree (Fischbacher, 2007). Seventy early-stage entrepreneurs were invited to play the role of a manager of an ice-cream stand. For 20 periods they had to make choices about the flavors of the ice cream and the price of sale that they liked to offer to their customers. Each ice-cream mix led to a specific profit, which depended on customers’ perceptions of the originality of the flavors, their willingness to buy and the selling price. Consumers’ perceptions were obtained through a real market study conducted prior to the experiment. This allowed us to provide a complete, robust and subjective measure of innovation.

Main Results and Implications
Our results show that while the entrepreneur’s level of creativity is a strong predictor of her ability to implement an innovation, the ability to evaluate opportunities moderates this relationship and facilitates the passage from creativity to implementation. Also, we found that entrepreneur’s overconfidence and low aversion to risk are beneficial for creativity, opportunity evaluation and implementation. However, we found that the entrepreneur’s optimism has a dual effect: while it encourages creativity, it diminishes the entrepreneur’s ability to evaluate opportunities and harms her capability to implement those opportunities for innovation.

The present findings contribute to the understanding of the creativity-innovation link. Also, we reconcile the different perspectives that place overconfidence as both boosting and threatening innovative behavior.

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