OPPORTUNITY SHAPING: DEMAND SIDE INFLUENCES ON NEW VENTURE BUSINESS MODEL INNOVATION (SUMMARY)

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When considering the popularity of the term “business model” to popular press outlets and business consultants, the term itself has remained a difficult and at times perplexing concept to management researchers. Yet recent interest has lately occurred in defining the characteristics and role of the business model, to include theorizing potential implications of studying business models within new venture firms (George & Bock, 2010).

We contend that “demand side” influences (identified as customer product/service signals to the firm subsequent to new venture launch) are key drivers in shaping how the initial opportunity and resulting business model is subsequently adapted and implemented (Priem, Li, & Carr, 2011; Ye, Priem, & Alshwar, in press). Thus we suggest that business model innovation is the result of “opportunity shaping”, which we define as those signals external to the new venture that shape how the entrepreneurial firm adapts their initial opportunity subsequent to new venture launch. Additionally, we theorize and test whether existing organizational structural dimensions, namely the degree of formalization and centralization, help or hinder the ability for the entrepreneurial team to successfully engage in business model innovation, subsequent to those opportunity shaping signals they receive from their customers.

Method

A national random sample of 3000 new ventures has been acquired from publicly available sources within Germany. The data collection has yielded more than 150 usable responses, and we used or adapted several established or study-specific constructs for our study. We use objective measures of firm performance obtained from our sample source.

Hierarchical regression was be used to analyze the direct and moderating effects of our study variables. Specifically, we tested the main effect of opportunity shaping on business model innovation and subsequent firm performance, as well as the moderating effects of centralization and formalization on these outcome variables.

Results and Implications

Our research examines and finds support for the critical role that demand side variables play in influencing business model innovation and performance. As a result, our study presents an opportunity to contribute to the demand side and business model innovation literatures.

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