

Doubts About Market And Technology And Consequences For Entrepreneurial Action

Fernando M. D'Andrea, Oklahoma State University, USA

Most people would agree that the more entrepreneurship and innovation, the better for society. But how do those two things connect? A disproportionate part of the attention and discussion in media and academia is given to highly technological endeavors and technological inventions are constantly confounded with innovations. Can societies thrive based exclusively on highly innovative businesses? Should this type of entrepreneurship be particularly incentivized?

Model-T, the iPhone, and more recently technology-based startups such as Facebook, Amazon, and Google, are *the* utmost examples of entrepreneurship and innovation. Mediatic leaders such as Jobs, Ford, and Zuckerberg are discussed as examples of entrepreneurs.

Equating entrepreneurship to innovative and tech-based endeavors has consequences. It trains people to think in a particular way and pushes entrepreneurs to focus on the technological part of the business. Organizations with this focus get more press coverage, more time in classroom discussion, and more policy attention. Meanwhile, not much attention is given to more 'down to earth' entrepreneurs that come up with non-fancy solutions. Individuals that operate non-tech-based businesses are hardly noticed by the press, academics or politicians. As a consequence, the idea that entrepreneurship is necessarily about technology becomes even more widespread.

Highly innovative businesses are obviously important, but a society cannot rely exclusively on them. Imitative businesses, that spread innovations and maintain the economic process even in the absence of major technological advances, are necessary for societies to continuously advance. Innovation and imitation, need to be present.

Moreover, the focus on highly technological businesses implies that entrepreneurs will be able to push whatever product they develop to a market. The condition for success would be the inventive technological approach itself. In this paradigm, the existence of a market for the product is disregarded. Is this a good way of approaching a business?

Anecdotal evidence of the importance of knowing the market and understanding consumer needs is abundant. Most successful entrepreneurs would agree that success lies particularly in pleasing the consumer, technology is a means to solving the consumer problem.

To test the contrasting approaches, we executed an experiment with over 1,000 responses. We found evidence for the precedence of the market over the technology on the decision to take entrepreneurial action. On average entrepreneurs are, first and foremost, worried about the existence of a market, a secondary thought is given to their ability to provide a technological solution. And the entrepreneur needs to be confident about his own ability of coming up it. Having a market is necessary, but insufficient domain over the technology is also crucial for success.

Now, this is not to say that technologically-based businesses will necessarily fail, or that technology cannot be the focus of some businesses. Examples of successful tech-oriented businesses are common – e.g. the iPhone and Tesla automobiles. Counterexamples of failed tech-oriented initiatives, also exist – e.g. Microsoft's Tablet PC and Google Glass. The point is, that being able to technologically produce something does not guarantee commercial success and is hardly the first preoccupation of the average entrepreneur.

Urging to promote development, governments look for shortcuts. Since entrepreneurship is seen as the cause of growth, this usually ends up in creating legislation that tries to incentivize “high-impact-high-growth” entrepreneurship. Usually, legislators’ incentives go to either startups or high-tech companies. Individuals act to take advantage of the benefits, focusing on technological development, not on the market need. These governmental interventions thus distort the market in two significant ways.

1. They push people to invest in inventions, instead of in innovations; and
2. They decentivize imitative business, also needed for the healthy development of the society.

Conclusions

Should I do it? Can I do it? Answering positively to those questions are two major barriers that individuals need to overcome in their entrepreneurial journey. Our results indicate that the need to foresee a market is more important than the technical skill of the entrepreneur. Without a market, technological development tends to be a waste.

Because the market matters more than technology, governments should avoid pushing for tech-based entrepreneurship. They should instead provide a generally positive playing field to entrepreneurs, regardless of type. The consequence would be the continuous emergence of businesses focused on consumer needs, imitating and innovating and forming the backbone of a healthy social development.

CONTACT: Fernando M. D’Andrea; Fernando.dandrea@okstate.edu; (T): +1 405 894 0093; Oklahoma State University; 390 Business Building, Stillwater, OK, 74074 USA.