



Creativity in the opportunity identification process and the moderating effect of diversity of information

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ABSTRACT

We employ two study designs for a more detailed examination of creativity in the opportunity identification process. We employ a correlational field study to test the hypothesis that divergent thinking affects venture growth through business idea generation. We use an experimental design to test the hypothesis that diversity of information moderates the effect of divergent thinking on business idea generation. Analyses based on 98 business owners across both study designs supported our hypotheses. Combining the findings from both designs points to boundary conditions of theories suggesting constraining information; this may weaken the indirect effect of divergent thinking on venture growth.

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1. Executive summary

Entrepreneurship scholars agree that creativity is linked to entrepreneurship because creativity should promote identifying new opportunities (e.g., Shane, 2003). However, a detailed examination of creativity in the opportunity identification process is lacking and empirical findings are mixed (e.g., DeTienne and Chandler, 2004; Heunks, 1998). Dimov (2007) argued that the mixed findings are due to an imprecise conceptualization of the effects of creativity in the entrepreneurial process. Creativity is a process of divergent and convergent thinking (Hennessey and Amabile, 2010). In our study, we focus on the initial stage of the creative process and examine the effect of divergent thinking on generating multiple and original business ideas. We provide a theoretical basis for why divergent thinking is indirectly related to venture growth through business owners' generation of business ideas. To investigate this relationship we conducted a correlational field study. Furthermore, we take an interactionist approach to investigate the interplay of divergent thinking and diversity of information in the opportunity identification process. We focus on the diversity of information because theoretical perspectives in the entrepreneurship literature suggested that constraining information to domains in which one is knowledgeable is helpful because the new information can be linked to one's prior knowledge (Fiet, 2002). However, the creativity literature suggests that constraining information at the initial stage of the creative process may be detrimental (Ward, 2004). Instead, diverse information should be helpful because it promotes broader associational processes. We go beyond the discussion of the main effects and draw on interactionist models of creativity (Amabile, 1983) to hypothesize that divergent thinking should have a positive effect on business idea generation only in the case of diverse information. Constrained

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information should fix the thinking to one domain thus weakening the effect of divergent thinking on business idea generation. We employed an experimental design manipulating diversity of information to investigate this part of our study.

The correlational field study and the experimental design were both applied to the same sample of 98 Ugandan business owners. Data collection was based on face-to-face interviews. During the interview we employed a hypothetical scenario stating that there is a new trend of life-long learning. In a first step, we asked the business owners to generate business ideas to profit from the new trend. This measure of business idea generation was not affected by our experimental manipulation and we used it for the correlational field study. In a second step, the business owners received additional information related to the scenario and we asked them again to generate business ideas. The additional information constituted the experimental manipulation. The business owners were randomly assigned to one of two experimental groups (diverse versus constrained information). We used the generated business ideas after they had received the additional information for our experimental study. We used the consequences test to measure divergent thinking (Christensen et al., 1953). Finally, venture growth was measured as the percentage of increase or decrease of profits, sales, and customers.

Our analyses supported our hypotheses. Divergent thinking was indirectly related to venture growth through the generation of original business ideas. We further found that diversity of information interacted with divergent thinking. There was a strong effect of divergent thinking on business idea generation in the case of diverse information. The relationship was nonsignificant in case of constrained information. The direct effect of divergent thinking on business idea generation was thus contingent on the diversity of information. The results point to potential boundary conditions of theories favoring constrained information. Business owners high on divergent thinking generate only multiple and original business ideas in case of diverse information. The positive effect of divergent thinking was weakened in case of constrained information. Combining the findings from the correlational field study with the experimental findings leads to the conclusion that business owners' exposure to diverse or constrained information may influence the indirect effect of divergent thinking on venture growth through the generation of original business ideas.

2. Introduction

Entrepreneurship is defined as identifying and exploiting opportunities and it can be conceptualized along the entrepreneurial process which proceeds from identifying opportunities to achieving venture growth (Baron, 2007a; Shane and Venkataraman, 2000). Opportunity identification implies that entrepreneurs use creative processes to perceive new ideas and to put them into action (Dimov, 2007). One would assume that creativity is a factor that has been extensively researched in an area that focuses on identifying new opportunities. However, this is not the case and the existing empirical findings are mixed or non-conclusive. DeTienne and Chandler (2004) showed that creativity is positively related to opportunity identification while Hansen et al. (2011) found only partial support for their hypothesis that creativity underlies opportunity identification. The findings by Heunks (1998) even suggest that creativity does not affect opportunity identification and exploitation. Dimov (2007) argued that the mixed findings are due to a conceptual collapse of different entrepreneurial success measures such as business ideas, business opportunities, and venture growth, which scholars have attempted to relate to creativity. The entrepreneurial process, however, is complex, involving several steps which necessitates a more detailed theoretical analysis of why creativity should be conducive to entrepreneurial success (Dimov, 2007). Similarly, Zhou (2008) noted recently that a “more explicit and focused research attention on creativity [...] is critical for understanding and promoting entrepreneurship” (p. 2).

Creativity can be defined as the generation of novel and useful ideas (Hennessey and Amabile, 2010; Runco, 2004). Creativity is best understood as an iterative process of divergent and convergent thinking to generate, evaluate, refine, and eventually come up with a creative idea (Basadur et al., 1982; Brophy, 1998; Mumford et al., 1991; Ward et al., 1999). A systematic examination of creativity in the entrepreneurial process would thus require disentangling the different stages of both the creative process and the entrepreneurial process. We contribute to a more detailed examination of creativity in the entrepreneurial process by focusing on business owners' divergent thinking and its function for generating business ideas and venture growth (see Fig. 1, Panel A). Specifically, we focus on divergent thinking because of its importance in the first stage of the creative process in which initial ideas are produced (Basadur et al., 1982; Ward et al., 1999). We focus on business ideas and venture growth because business ideas are precursors of business opportunities and constitute the starting point of the entrepreneurial process which may eventually lead to higher venture growth (Dimov, 2007; Locke and Baum, 2007).

Furthermore, we also contribute to the literature that emphasizes the importance of taking an interactionist approach and investigating contextual factors that enhance or inhibit the positive effect of divergent thinking in the entrepreneurial process (Zhou, 2008). In general, entrepreneurship scholars have noted that it is important to extend current perspectives that mostly focus on personal factors and to combine personal and contextual factors in theoretical models aiming to explain entrepreneurial success (e.g., Baron et al., 2007). Recently, research adopted such an interactionist perspective and provided evidence for the superior predictive validity of interactionist models. For example, Brigham and colleagues (Brigham and De Castro, 2003; Brigham et al., 2007) examined how a fit or misfit between entrepreneurs' cognitive style and organizational characteristics such as formalization and specialization predicted entrepreneurs' exit behavior. Other studies that adopted an interactionist perspective examined how the economic environment, in terms of environmental dynamism, influenced the relationship between CEOs' personal characteristics and venture performance (Ensley et al., 2006; Hmieleski and Baron, 2009; Hmieleski and Ensley, 2007). In our study, we take an interactionist perspective to investigate the interplay between business owners' divergent thinking and type of information (diverse versus constrained) for opportunity identification. Investigating the interplay between divergent thinking and type of information is important to broaden current theoretical perspectives on the positive and negative function of type of information for opportunity identification. From the dominant perspective in the entrepreneurship literature it follows that a constrained,

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