Is Disruptive Innovation Your Entrepreneurial Vision?

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Abstract

The essence of the entrepreneurial process is for the entrepreneur to identify disruptive innovation opportunities, assess their potential, and take advantage of the best available. In addition, the entrepreneur's vision-based strategic initiatives for venture creation, growth, and sustainable competitive advantage should guide the entrepreneurial process. Entrepreneurs with clear, well-conceived, disruptive innovation vision are likely to be more successful than those with blurred or aimless vision. Business success is inextricably associated with entrepreneurs’ ability to develop vision-based disruptive innovation strategies to benefit from the growing business opportunities. Thus, vision-based innovation is the ingredient for venture progress and its survival. The purpose of this research is to illustrate the importance of targeted entrepreneurial vision, discuss essential factors that influence its development, and touch upon the relevance of disruptive innovation ventures for entrepreneurial success. The study suggests that government and educational establishments should take the lead in supporting programs that promote entrepreneurial vision-based innovations and ventures.

Keywords: Entrepreneurial vision, disruptive innovation, business success, vision-based innovation.

1. Introduction

The Covid-19 epidemic ravaging the world since the beginning of 2020 demonstrated the volatility of the external environment and the need for entrepreneurial firms (and other companies) to innovate for survival and growth. However, according to the United States White House's recent announcements, about 400,000 businesses, mainly small firms, disappeared from the market during 12 months because of the COVID-19 pandemic, leaving millions unemployed. Undoubtedly, many small entrepreneurial firms are squeezed out of the market annually for many reasons, particularly their lack of disruptive innovation vision.

Table 1 shows the births and deaths of business firms in the United States for 2010 and 2019. Although the time horizon of the utilized data is relatively short, the following issues are worth emphasizing: (1) The annual average business creation in the United States is significant (908,000 establishments). (2) Although the country's economy is the world's largest (about $21 trillion in 2020) and highly stable and vibrant, business survival, especially entrepreneurial firms, is disappointing (about 9 percent). (3) We believe that the key reasons for the disappearance from the market of small entrepreneurial firms are their lack of well-developed vision-based winning strategic initiatives, unfamiliarity with disruptive innovation, and poor managerial and marketing skills. These factors are interrelated and interdependent.

A review of the literature on the reasons for the disappearance of small entrepreneurial firms would reveal that government regulations, national financial crisis, lack of critical resources, and the firms' value falling below the opportunity cost of their staying in business are the leading causes of the disappearance (Cressy 2006; Crum and Gohmann, 2016; Power and Ryan, 2020).

The aim of the current paper is to discuss (1) the essence of well-conceived entrepreneurial vision and its importance for would-be entrepreneurs, (2) the sources of vision, (3) disruptive innovation, and (4) the need for would-be entrepreneurs to create vision-based disruptive innovation ventures. Viable vision is like an invisible road map for venture success in a global environment of competition and artificial intelligence.

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Table 1: Private sector business establishments, births, and deaths, seasonally adjusted, 2010-2019 (In thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Births(1)</th>
<th>Deaths(2)</th>
<th>(Net)(3) (2) minus (1)</th>
<th>Survival Ratio(4) (3) divided by (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>809</td>
<td>818</td>
<td>(9)</td>
<td>0.01</td>
</tr>
<tr>
<td>2011</td>
<td>834</td>
<td>799</td>
<td>36</td>
<td>0.04</td>
</tr>
<tr>
<td>2012</td>
<td>881</td>
<td>761</td>
<td>120</td>
<td>0.14</td>
</tr>
<tr>
<td>2013</td>
<td>861</td>
<td>790</td>
<td>71</td>
<td>0.08</td>
</tr>
<tr>
<td>2014</td>
<td>890</td>
<td>791</td>
<td>99</td>
<td>0.11</td>
</tr>
<tr>
<td>2015</td>
<td>957</td>
<td>834</td>
<td>123</td>
<td>0.13</td>
</tr>
<tr>
<td>2016</td>
<td>955</td>
<td>848</td>
<td>107</td>
<td>0.11</td>
</tr>
<tr>
<td>2017</td>
<td>970</td>
<td>868</td>
<td>102</td>
<td>0.11</td>
</tr>
<tr>
<td>2018</td>
<td>1,013</td>
<td>898</td>
<td>115</td>
<td>0.11</td>
</tr>
<tr>
<td>2019</td>
<td>1,035</td>
<td>928</td>
<td>107</td>
<td>0.10</td>
</tr>
<tr>
<td>Average 2010-2019</td>
<td>920.5</td>
<td>833.5</td>
<td>87</td>
<td>0.09</td>
</tr>
</tbody>
</table>


2. Vision and its importance

As mentioned earlier, the entrepreneurial process typically begins with the entrepreneur's vision-based strategy that extends through a chain of activities that include opportunity identification, venture creation, opportunity exploitation, and other initiatives to achieve the venture's sustainable competitive advantage. The process is a long journey of challenges, innovation, and rewards. Entrepreneurship has in recent years become an increasingly knowledge-based phenomenon—especially in the United States—that enables entrepreneurs to launch novel ventures with impressive technological and skills capabilities. Many entrepreneurial business ventures such as Uber Technologies, Tesla, and Airbnb employ advanced technology and armies of skilled people to provide desired goods and services. At the same time, these ventures contribute to national economic and technological advancement.

The literature distinguishes three entrepreneurs: novice, serial, and portfolio entrepreneurs (for example, Westhead et al., 2005). The distinction is primarily made based on the individuals' newness to the profession and risk appetite. However, whatever term is deployed to describe entrepreneurs, their contributions to innovation, job creation, and economic growth is widely discussed in the literature (e.g., Van Praag and Versloot, 2007; Yan and Yan, 2016; Emami and Dimov, 2017). Specifically, scholars have singled out the following contributions of entrepreneurs and entrepreneurial firms to the national economy: Initiation of 'creative destruction' process; Creation of market opportunities; Generation of economic value and consumer benefits; Formation of innovative firms and industries; leading strategic change via disruptive innovation; Setting off technological change; and Participation in economic progress.

There are various categories of vision: computer vision, human vision (eyes), satellite vision, and educational vision. This paper is about the entrepreneurial vision that we consider a purposeful idea or mental process for creating a business venture and its prospects. The distinction between entrepreneurial vision and the venture's vision is that the entrepreneur's vision is broader in scope while the venture's vision is about its ultimate goal. For example, a vision for an automobile dealership is to say, "Our vision is to help customers select the electric car that fits their taste, need, and budget."

The spectrum of vision statements is broad and includes: (a) Aiming at reaching the desired state of affairs or final destination (such as market dominance, technological superiority, sustainable growth, social justice, venture creation, business expansion, among others), (b) Seeking productivity elevation of deployed resources, (c) Generating outcomes, actions, policies, plans, and the like, and (d) Requiring human attention, evaluation, and control.

Moreover, scholars have approached the notion of vision from different perspectives. For example, Kuratko (2020) viewed vision as a concept by saying entrepreneurs know they have a vision or an idea of what their firms can be. Reigeluth and Karnopp (2020) defined vision as a system. Levin (2000) believed that vision is an expressive story of desired future action for the organization. Abrams (2012) defines vision as the ability of the entrepreneur to conceive a company, a product, or service that does not exist. Finally, Sibeko et al. (2020) said that vision is treated as a core entrepreneurship component in the literature.
Thompson et al. (2020, p. 23) discussed the idea of strategic vision to "describes management's aspirations for the company's future and the course and direction charted to achieve them." David and David (2017, p. 10) indicated that a vision statement is a statement of purpose for the business enterprise by responding to the question:

What do we want to become? The authors provided an example of a vision statement that says, "Our vision is to take care of your vision," publicized by Stokes Eye Clinic in South Carolina.

Dictionaries, moreover, describe the term vision in several ways. Oxford English dictionary regards vision as "The ability to think about or plan the future with imagination or wisdom" Merriam-Webster dictionary defines it as "A thought, a concept, or object formed by the imagination." In this paper, vision is treated as an idea uniquely arrived at for venture creation and development. The idea should be clear, realistic, profitable, and socially responsible to obtain a positive outcome. Of course, there is no guarantee that entrepreneurial (or leadership) vision is destined for success. Vision success is governed by a host of factors, including (i) viable vision-based strategic initiatives, (ii) resource availability, (iii) effective strategy implementation, and (iv) facilitating external forces.

In elaborating on the importance of vision, Haque, Liu, and Amayah (2020) indicated that leadership vision affects the organizations' readiness for change. Brown (1998) pointed out that one of the main benefits of good strategic planning is that employees understand its vision about its future destination. The author added that articulating the company's vision requires careful thought and should not be delegated to consultants or people other than senior leaders of the organization. Furthermore, Carsten (2006) found out that leaders' vision can positively influence followers' perceptions of empowerment, goal clarity, and work satisfaction in organizations. Park and Kim (2019) examined a leader's vision of talent and found out that the vision affects H.R. functions directly and organizational commitment indirectly. Finally, Corcoran (2019) asserted that the main differentiator between a leader and a manager is setting and executing a strategic vision.

3. Vision, Business Concept, and Business Model

The vision, business concept, and business model are the triangle of venture creation. Business Concept is often described as a statement that describes the reach and reason of existence of a given business idea. An example of a business concept is to declare the following: Create business simulation software to assist students enrolled in hotel management and tourism courses enhance their knowledge of the industry by virtually managing hotel chains. In addition, the business concept helps the entrepreneur roughly estimate the venture's total cost, total revenue, and gross profit during a given period. According to Picken (2017), defining and validating the business concept is a significant challenge for an entrepreneur at the start-up phase of an enterprise. It includes the market opportunity (i.e., critical need, target market, market size, and timing); the offering (i.e., product or service and value proposition); the business model (i.e., resources, processes, and economic model); and the go-to-market strategy needed to deliver the offering reliably to the target customer at a profit.

On the other hand, Neck et al. (2018) defined a business model as a conceptual framework that explains how a company creates, delivers, and extracts value. The authors added that a business model involves four key ingredients (i) the nature of the planned product, (ii) target customers, (iii) resource requirements, and (iv) the project financial viability. Business concept and Business model are the outcomes of entrepreneurial vision. Having articulated the venture's vision, the entrepreneur should carefully develop the concept and the model and incorporate them along with the vision into the venture's strategic business plan. Taking a systems perspective, Morris et al. (2002) defined a business model as "a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.”

In brief, the business concept should be visualized as the executive summary of the entrepreneur's vision, and the business model is the detailed plan of the business concept. Thus, the business concept crystallizes the vision for the venture and lays the groundwork for the business model. In developing a vision theory, Kantabutra (2009) discussed the following seven attributes of effective vision: Brevity (being brief); Clarity (being obvious); Future orientation (long-term orientation); Stability (formulated in general terms); Challenge (ability to motivate); Abstractness (representing general idea) and Desirability or ability to inspire (an ideal destination worth pursuing).

4. Strategic Thinking

Strategic thinking is a vision-based mental process aimed at identifying venture opportunities with the help of outside-in and inside-out market strategic initiatives approach. In a literature survey, Goldman, Ellen F, et al. (2015) found out three main conceptualizations of strategic thinking regarding analytical techniques, mental processing, and engaged behaviors.
They are: (i) the purpose of strategic thinking (i.e., finding novel, imaginative strategies, (ii) the building off of the abstract idea that is a distinct form of mental processing, and (iii) the focus on the activities undertaken when strategic thinking occurs.

Liedtka (1998) elaborated on the concept of strategic thinking by saying it is typically viewed as creative, disruptive, future-focused, and experimental.

The author indicated that the key ingredients of strategic planning include holistic view, thinking in time, opportunistic, and hypothesis-driven. Graetz (2002, p. 456) points out that "Strategic thinking is seen as central to creating and sustaining competitive advantage." The capability of strategic thinking can be framed with the following factors in mind (Alsaaty, 2006, p. 16): Engaging in insightful thinking; Avoiding the arbitrary use of the exact solutions for different situations or problems; Focusing on relevant issues; Prioritizing goals, tasks, and strategic initiatives; Looking at surroundings to generate novel and relevant perspectives; and Understanding the situational forces of your venture.

Several authors (e.g., Gianiodis et al., 2014; Arrigo, 2018; Asseraf and Shohan, 2019) have utilized the concepts of outside-in and inside-out in strategy formulation analysis. In the analytical context of forces that influence the performance of a business enterprise, two critical approaches are discussed: (i) the industrial organization (I/O) view and the resource-based view (RBV). For example, David and David (2017) suggested that the proponents of I/O believe that industry factors are more important than the internal factors in creating a sustainable competitive advantage for the enterprise. On the other hand, followers of the RBV approach assert that the internal resources of the enterprise are more relevant than the external factors in determining long-term competitive advantage. Therefore, entrepreneurs could utilize the outside-in and inside-out viewpoints in vision and strategy building.

5. Towards Disruptive Innovation

Schumpeter (1934) highlighted the role of the entrepreneur in economic change and showed that innovations and development involve five processes: (1) The introduction of new goods. (2) The introduction of new methods of production. (3) The opening of new markets. (4) The capturing new sources of supply, and (5) the new organization of the industry that may lead to a monopoly or break up monopolies. The new combinations, according to Schumpeter, were viewed as a discontinuity involving the competitive destruction of old business. Against this backdrop, Schumpeter formalized the process in 1942 with the concept of creative destruction. The latter revolutionizes business firms and economic processes by destroying old firms and creating new ones (Schumpeter, 194267). The advent of the personal computer, which led to the dramatic change in the composition of the computer industry, is an example of creative destruction.

According to OCDE (2005), innovation is the introduction of something new or a significantly improved product, a process, a new marketing method, a new source of supply, and a new organizational method in a company's internal practices or the organization of the workplace and external relationships. Businesses can introduce four types of innovations based on the definition: (1) Product innovations (substantial change in products' capabilities. (2) Process innovations (substantial changes in production processes or delivery methods). (3) Marketing innovations (deployment of innovative marketing methods) and (4) Organizational innovations (employment of modern organizational methods). Thus, there is no single dimension to innovation but a variety of activities that affect the organization.

The term disruptive innovation was first introduced in a 1995 Harvard Business Review by Clayton Christensen and Joseph L. Bower and later in the Innovator Dilemma authored by Christensen. It was in the Innovator Dilemma that Christensen introduced the theory behind the concept of disruptive innovation. In subsequent years and cooperation with colleagues, the term, which initially focused on disruptive technology, was modified, refined, and extended (Christensen and Raynor, 2003). Christensen (2006) argues that technology is not inherently disruptive; rather, business innovation leads to disruption.

Disruption and the consensus on its outcome fundamentally change, disturb, reorder organizations, markets, and the business ecosystem have gained popularity in recent literature and practice (Christensen et al., 2015; Hopp et. 2018). Innovation is disruptive when it does not support current firm manufacturing practices but can radically change customer value (Bower and Christensen, 1995). A disrupted market or ecosystem hosts new firms, new markets, new products, and new ways of doing business. The disruption aligns with being able to challenge incumbent companies (Christensen et al., 2015).

The position held by Bower and Christensen strongly supports the framework proposed by Abernathy and Clark (1985) in which disruptive technologies could disrupt the market and customers and manufacturing capabilities. However, not every technological invention is innovative, so that the firm that uses the technology to create disruptive innovation rather than the technology is what matters (Baiyere and Hannu, 2013).
In other words, not all technologies are disruptive, and when they do, they tend to overturn the existing structure of the industry, thus replacing the former with the one that serves the new market.

In the *Innovator's Solution*, Christensen and Rayno (2003, pp. 288-292) summarized disruptive innovation strategy by observing that (1) The road to market disruption is long and rocky. (2) Disruption strategy should be monitored, assessed, and developed over time

(3) Disruptive strategy should generate profit and not long-term losses. (4) Disruptive ventures encounter different problems than the typical hurdles that the well-established ones counter. (5) Venture success requires sufficient resources, team cooperation, and proper organizational processes. (6) Avoid strategy deployment that seeks to target customers and markets that are lucrative to well-established competitors. (7) Exploration of low-end disruption. (8) Market segmentation in line with the jobs that customers seek to achieve. (9) Creating competencies that generate profit for the venture.

Therefore, the concepts of innovation and disruptive innovation are related and complementary. In any case, disruptive innovation revolves around the premises that entrepreneurial efforts to introduce innovative, low-cost products primarily aimed at satisfying consumers' unmet needs; entrepreneurial initiatives to create new markets, and designing and deploying new business models (Christensen, Raynor, and McDonald, 2015, Christensen and Bower, 2018). The entrepreneur’s business perspectives and vision drive decisions that result in disruptive innovations. Entrepreneurial vision is disruptive when the vision upends existing market structures (Christensen et al., 2016). The conceptualization of disruptive vision reflects entrepreneurs' and investors' practical application of disruption (Casper 2015; Rachleff, 2013).

Disruption can occur upon the persuasion of stakeholders in the business ecosystem, and this is possible through entrepreneurial vision and communication (Ansari et al., 2016). Thus, an entrepreneur's disruptive vision details differences in the current market and highlights a shift that will make a difference or break from previous business models and products in the industry (Cornelissen, 2013; van Baden, Tarakci et Sood, 2018). Disruptive innovation theory has received praise from many scholars. Noor (2005), for instance, pointed out that disruptive technologies have emerged in many fields, including biotechnologies, information, and nanotechnologies. Leavy (2004) asserted that disruptive innovation is a dynamic process, and it will continue to pose threats to sustaining innovation. Govindarajan and Kopalle (2006) believed that disruptive innovations effectively develop new markets, disrupting existing market linkages.

6. Conclusion

In a dynamic, unpredictable business environment characterized by uncertainties such as the appearance of Covid-19 and the imminent disappearance of millions of enterprises in the United States, the traditional model of founding entrepreneurial firms appears to be less effective. Instead, the emerging paradigm of creating innovative firms is the rewarding entrepreneurial path. Success in the business world necessitates that entrepreneurs adopt vision-based disruptive innovation strategies.

However, an incoherent road map could eventually lead to an undesirable destination or sheer road disaster. In the United States, the landscape of disruptive innovation is immense, with growing opportunities in various economic sectors for entrepreneurs. As is widely recognized, consumers’ appetite for new goods and services, especially in advanced economies, is insatiable. Similarly, many consumers pursue affordable, high-quality products offered via efficient business models.

The implications from the analysis are that educational institutions and government agencies need to develop and promote educational programs to support the development of entrepreneurial vision. In addition, inspire would-be entrepreneurs to help them identify and exploit business opportunities and address social problems. Finally, further research should apply quantitative analysis to advance the theoretical foundation of entrepreneurial vision.

References


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