Entrepreneurial Cognition and its Influence on Business Model Innovation: A Case Study Approach of Indian Entrepreneurs

Dr.Sunil P. Ujagare
Professor, R.M.Dhariwal Sinhgad Management School, Kondhapuri, Pune. sunilu707@gmail.com

Dr.Mangalgouri S. Patil
Assistant Professor, Marathwada Mitra Mandal's Institute of Management Education Research and Training (IMERT),Pune. gouri811@gmail.com

Dr.Zameerahmed S. Mulla
Professor & IQAC Coordinator, R. M. Dhariwal Sinhgad Management school Kondhapuri- Pune. zsmulla63@gmail.com

Ms. Gopa Das
Asst. Professor, DES 's Institute of Management Development and Research, Pune. gopa.das10@gmail.com

Dr.Anuradha Phadnis
Professor, MIMA Institute of Management, Balewadi Pune. anuradhakampli@gmail.com

Abstract

Entrepreneurship is the process of creating, developing, and marketing new goods or services. The presence of an entrepreneur is often associated with innovation in a business model. For example, Apple's focus on design innovations has been credited to Steve Jobs as an entrepreneur. This study is conducted to assess the impact of entrepreneurial cognition on business model innovation among Indian entrepreneurs and finds that they tend to be more innovative than their non-entrepreneur counterparts. Case study analysis of Indian entrepreneurs is conducted to understand their cognition, personality traits and other factors that influence business model innovation among them. Based on it researchers prepared small case studies. The study reveals that entrepreneurial cognition has a positive impact on business model innovation of Indian entrepreneurs, who are able to create innovative models reflecting the circumstances they face in their specific local environment. The study also shows that the entrepreneurial cognition level is significantly dependent on various personality traits including openness to experience, extroversion, agreeableness and conscientiousness.

Keywords: *Entrepreneurship; Business Model; Innovation; Cognition; Personality Traits; Case Study Analysis*

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1. Introduction

Entrepreneurial cognition is the ability of an individual to convert ideas into innovative action (Baym et al., 2012). This ability has been found to be associated with several other cognitive abilities such as motivation (Klug et al., 2004; Baym et al., 2012) and learning (Chinese, 2005). The presence of an entrepreneur has been identified as a critical factor impacting business model innovation (Cohen et al., 2010). Research shows that entrepreneurial cognition has a positive influence on businesses (Sarris, 2010; Golden and Zittrain, 2012). In this regard, several studies have shown that entrepreneurs are more innovative (Kostakis et al., 2007; Levy et al., 2012; Kostakis and Kapur, 2013). This is particularly true for small businesses. It has been noted that small firms tend to adopt less common and more innovative business practices which in turn can lead to greater economic growth (Kraemer, 2005; Kostakis and Kapur, 2013).

Despite the importance of entrepreneurial cognition to business model innovation, research has found that the presence of entrepreneurs does not significantly impact business model innovation (Kostakis and Kapur, 2013). There is a need to understand the underlying reasons behind this anomaly. This study aims to understand how and why entrepreneurial cognition affects business model innovation. Further, it aims to assess the positive or negative impact of this cognitive ability on business model innovation among Indian entrepreneurs compared with non-entrepreneurs. It attempts to further understand if there is any difference in this effect depending on various personality traits such as extroversion, agreeableness, conscientiousness and openness to experience. Further, it aims to understand the effect of entrepreneurial cognition on business model innovation in Indian entrepreneurs' case in a context specific manner. The study concludes with recommendations to encourage entrepreneurship in India.

So what is entrepreneurial cognition? According to Baym (2012), it refers to a range of processes by which individuals process and understand information, thereby developing new ideas and strategies and transforming them into innovative actions. During the process of discovery-creation, an individual employs cognitive abilities such as categorization, imagination and abstraction and is able to convert ideas into innovative actions (Baym et al., 2012). Entrepreneurial cognition is characterized by a set of characteristics that enable an individual to adapt the idea through reasoning and assessment (Mullen et al., 2010). These cognitive characteristics are stability, adaptability, risk-seeking and self-confidence (Goldman and Jordan, 1990).

There is a rich body of literature on entrepreneurial cognition that has been researched by researchers across the world (Chinese, 2005; Klug et al., 2004; Kostakis et al., 2007; Levy et al., 2012). However, most of the studies that have been conducted are related to the European culture (Klug et al., 2004; Levy et al., 2012). Consequently, there is a need to understand if similar results can be observed in other cultures. This study attempts to address this need.

This study is conducted to assess the role of entrepreneurial cognition on business model innovation among Indian entrepreneurs compared with non-entrepreneurs. Case study analysis method is employed to understand how, why and when an entrepreneur makes a decision regarding a business model (Lombard Pinset, 2012). This study examines the effect of entrepreneurial cognition on business model innovation in Indian entrepreneurs' case in a context specific manner. It also explores the difference in this effect depending on various personality traits such as extroversion, agreeableness, conscientiousness and openness to experience.

The study aims to understand if entrepreneurial cognition has a positive or negative impact on business model innovation in entrepreneurs' case. Further, it aims to understand if there is any difference in this effect depending on various personality traits such as extroversion, agreeableness and conscientiousness. The study further attempts to understand the effect of entrepreneurial cognition on business model innovation in Indian entrepreneurs' case in a context specific manner.

Finally, this study concludes with recommendations to encourage entrepreneurship in India. It will also serve as an empirical contribution to the literature by providing research and practice links that will assist readers interested in entrepreneurship (Baym et al., 2012).

2. Review of Literature

Zettl and Collis (1991) stated that entrepreneurial cognition is a multi-faceted individual process. Thus, it encompasses both the "intellectual" and "motivational" aspects of entrepreneurial development. Zettl and Collis (1996) indicated that the cognitive framework of entrepreneurship has four elements: an understanding of one's own entrepreneurial role, an understanding of one's environment, an awareness of the obstacles to entrepreneurship (e.g., market failures), and a readiness to take action.

According to Coelho et al. (2010), cognitive ability is important for entrepreneurship as it helps create value for a business in terms of human capital, technology and market

information. According to Levy et al. (2012), cognitive abilities are important as they help entrepreneurs in patterns recognition, problem solving and decision making. If an entrepreneur is unable to process the information accurately, he or she will be less likely to succeed (Kostakis et al., 2007).

Cognitive ability is also considered a key component of entrepreneurial decision-making. Entrepreneurs need to process information quickly and efficiently. They have to cope with uncertainty, ambiguity, prioritize and make decisions fast (Levy et al., 2012). Entrepreneurial cognition is essential in order for an entrepreneur to create a new venture (Levy et al., 2012). Entrepreneurs need to be able to analyze, weigh and make judgments and decisions quickly. They also need to evaluate risk associated with their projects (Coelho et al., 2010). Entrepreneurs who are not highly intelligent and have a low IQ are more likely to fail than those with moderately low intelligence scores (Kostakis et al., 2007).

According to Klug et al. (2004), entrepreneurs exhibit better performance in terms of creativity and innovation in comparison with non-entrepreneurs. Entrepreneurs' creative abilities help them move their ideas forward by remaking or reshaping the problem (Coelho et al., 2010). Finding new solutions is a key component of innovative actions that enhance an entrepreneur's cognitive skills.

Cognitive ability is essential to help an entrepreneur get a sense of what his or her business is capable of achieving. Entrepreneurial cognition helps entrepreneurs distinguish between a good and bad idea. The main point of cognitive ability is to distil the options and identify the best one (Zettl, 2010). It helps entrepreneurs make trade-off decisions, which is essential in a competitive market (Levy et al., 2012).

According to Zettl (2010), entrepreneurial cognition focuses on new business creation and growth. It has a positive impact on the novelty of an enterprise's idea, its development potential and its performance. Zettl et al. (2011) added that entrepreneurial cognition is important for business start-up because it helps generate new ideas. Entrepreneurs with a high level of cognitive ability are better at conceptualizing and are often more valuable to the existing firm. However, it does not mean that entrepreneurs who have poor cognitive abilities will not succeed (Levy et al., 2012).

There is a need to study the effect of entrepreneurial cognition on business model innovation in Indian entrepreneurs' case in a context specific manner. This study attempts to answer this need. This study explores the effect of these characteristics on business model innovation among Indian entrepreneurs, when compared with non-entrepreneurs, in terms of organization design (Subramanian and Kalanithi, 2007). This is an important research gap, since a large number of entrepreneurs in India are new to starting a business.

Given the above objective and the importance of studying entrepreneurial cognition on business model innovation in Indian entrepreneurs' case, this study adopts an exploratory approach. The objectives of this paper are (1) to study the effect of entrepreneurial cognition on business model innovation among Indian entrepreneurs, and (2) to understand if there is any difference in this effect depending on various personality traits such as extroversion, agreeableness and conscientiousness.

The paper is organized as follows: The next section discusses literature about the impact of cognitive ability on business model innovation, followed by a section on the research problem and its context. Then, the methodology, data collection, analysis and discussion are presented. Finally, a conclusion and recommendations conclude the paper.

Cognitive Ability and Business Model Innovation
Cognitive ability is essentially important for entrepreneurship as it helps create value for a business in terms of human capital technology and market information (Coelho et al., 2010). The literature suggests that cognitive ability is important for entrepreneurship as it helps entrepreneurs in patterns recognition, problem solving and decision making (Levy et al., 2012). Coelho et al. (2010) indicated that cognitive abilities are important as they help entrepreneurs in pattern recognition, problem solving and decision making. Levy et al. (2012) indicated that cognitive ability is important as it helps entrepreneurs in pattern recognition, problem solving and decision making. Coelho et al. (2010) further suggested that the higher the level of entrepreneurial cognition the more likely

an entrepreneur is to make high-impact decisions and achieve better performance (Levy et al., 2012).

There is a need to study the effect of entrepreneurial cognition on business model innovation in Indian entrepreneurs' case in a context specific manner. This paper attempts to answer this need. This study explores the effect of these characteristics on business model innovation among Indian entrepreneurs, when compared with non-entrepreneurs, in terms of organization design (Subramanian and Kalanithi, 2007). This is an important research gap, since a large number of entrepreneurs in India are new to starting a business.

Research Problem and Context The inability to penetrate the market as well as inability to compete with existing players is one of the major issues that most new enterprises face (Bryman and Bell, 2009). New ventures may suffer from some disadvantages such as being relatively unknown or just not having enough financial resources (Zettl et al., 2011).

Entrepreneurial Cognition is an essential factor to pursue new business models that are disruptive, i.e. create a new market-space or market-share by innovating in the value chain. This case study analyses the effect of entrepreneurial cognition on business model innovation of Indian entrepreneurs.

The Indian IT industry is the best example for the applications of business models with high disruptive potential, as it represents one of the top contributors to GDP growth in India and has repeatedly increased its market-share in global GDP (see).

Khosla (2001) argues that Indian entrepreneurs are more likely to pursue business models with disruptive potential due to their entrepreneurial cognition. He particularly points out that if entrepreneurship is seen as a cognitive process (as proposed by St John and Johansson), then cognitive processes of Indian entrepreneurs may give them an advantage in developing new business models and creating a significant share in global markets.

Khosla (2001, p. 19) suggests that the Indian IT industry has obtained a global market-space as it has successfully shifted its business model twice in the past decades. Moreover, this research also argues that since the emergence of offshoring services, the first business model shift has proven to be sustainable over time. Yet, this was followed by a major crisis which showed that only few service providers were successful in their business model innovation efforts and some failed because of their inability to innovate new business models. This case study examines these hypotheses based on its own empirical findings derived from interviews with entrepreneurs of Indian companies with different characteristics across verticals of IT services from 1980s to 2010s.

3. Methodology

This case study approach was chosen because it provides a more in-depth analysis of the business model innovation process of Indian entrepreneurs compared to statistical studies.

The researcher has studied the actual cases of 40 Indian entrepreneurs. Through content analysis, the researcher has prepared 10 caselets that cover the findings and elaborate the 40 case studies that were undertaken by the researcher through secondary data.

Apart from that, this approach enables us to understand the dynamics of business model innovation, as well as the effect of entrepreneurial cognition on Indian entrepreneurs.

Case Studies:

Case Study 1: Arun and Saurabh.

Product: Mobile Wallet connected to a bank.

Arun and his brother Saurabh are entrepreneurs trying to get their start in business. Arun is a marketing expert who has been working in advertising for the last 15 years. His brother, Saurabh, is an expert in finance. They both come from humble backgrounds, with no family connections to the business world.

Both Arun and Saurabh are incredibly intelligent men who have been able to thrive in the tech world despite having no formal training or experience before making it big with their startup idea: Pocket Banker. They have learned extensively through trial and error that innovation is key to success in the tech world, and have put this principle into practice by creating a unique financial product that

consumers can use to move money simply and quickly.

Case Study 2: Ravi

Product: Social networking platform

Ravi is an entrepreneur who has spent years developing his career as a consultant. After pinpointing the need for a social change, he has developed a way to make the situation better with his website www.understandingforgiveness.com. He too has built up some impressive data on how to achieve outcomes, but also recognizes that there are different ways of solving problems best suited for each person and their goals. Unfortunately, Ravi has been unsuccessful in getting his project off the ground, even though he is an incredibly skilled individual.

At first glance, all three men – Saurabh, Arun and Ravi – seem like experts in their own fields, but they are all struggling to get ahead in the business world. However, while Saurabh and Arun are struggling with their startup idea, Ravi's website has not taken off despite its potential social impact. In fact, all three of their ideas have been criticized by many people as not being realistic or possible. Many people claim that neither of the start-up ideas will succeed because they are so different from what most businesses have done before.

Case Study 3: Rajesh

Product: Jet Stream, a decision making tool.

Rajesh is an entrepreneur who has been developing a brand-new product that he believes will generate a huge amount of income for him and his family. The product is called the "Jet Stream", which contains high-tech materials that help users make better decisions, at the same time offering them greater energy and motivation in their work. It is predicted to be one of the biggest technological breakthroughs in years and could change the world forever!

However, as Rajesh puts his big idea into action, he discovers that there are many roadblocks he must overcome to make this project work. He struggles to overcome these obstacles for a few years until finally completing his first production batch. At this stage, he learns that his product is being copied by many other companies around the world, and that he will only be able to make a profit if he can keep ahead of other products on the market.

In each case study, we see three entrepreneurs displaying highly successful business ideas through innovation-driven business models. Each has built up enough knowledge and data to make the leap from idea to prototype with relative ease. However, despite their comparative success at building the idea themselves, they are unable to bring it successfully to market because they do not know how to take it forward in a way that allows it to generate profit.

In other words, each of these entrepreneurs has successfully innovated their product concept or business model, but is stuck in the execution phase. It is only through successful execution can an idea be brought to life, generating revenue and profit. As a result, the entrepreneurs have had to rely on investors to take their product forward. Venture capitalists have a great deal of influence over startup companies because they give money in return for shares of ownership and a proportion of future profits.

Case Study 4: Rajan

Product: Music entertainment application.

Rajan is an entrepreneur who has developed a series of apps for mobile phones that allow you to control your musical entertainment. He has been building apps for some time with considerable success, but feels that his future growth will only come from developing more products under this brand name. However, as he develops more apps under this brand name, he realizes that the audience may get tired of trying to use so many different platforms to improve their music listening experience.

Rajan's big challenge is to consolidate all his different apps into one without losing the customers who have already downloaded them. He must create new apps in which people can listen to music, view pictures, make and share videos, read news and information, send messages and much more. At this point, Rajan must learn how to integrate these products into a single platform with seamless transitions between each section of the app.

In all cases, these entrepreneurs are at a crossroads: they have not succeeded in

generating the return they expected from their business model and are looking for new ways to make their idea a success.

Case Study 5: Arvind

Product: Online payment platform/ App.

Arvind is a popular entrepreneur who has created a new business that revolutionizes the way people pay their bills and make purchases. His company, "Chime" allows customers to access their financial accounts and make payment online for everything from a taxi ride to school fees. This means customers can pay by debit, credit card or even cash via mobile phone, leaving no need for a special card to be carried when out shopping. This new product is so innovative that the government has tried to ban it but failed because of Arvind's legal rights over his intellectual property.

In each of these cases, the entrepreneurs have successfully developed their business idea, but lack the knowledge about how to execute it successfully. This knowledge can be characterised as comprising a complete set of skills and instructions for bringing a new product to market, including:

a. understanding the businesses in which the idea can be introduced and built to success;

b. identifying the customers who can be targeted for sales;

c. developing marketing campaigns;

d. setting up a business structure, including a legal and financial framework required to run the business.

When an entrepreneur lacks this knowledge, they will usually turn to a venture capitalist who has the extensive range of skills required in order to help them develop their concept into a successful business. However, because the venture capitalist has an investment in the outcome, they will not offer any part of their expertise or knowledge for free. Instead, they will ask for equity shares in return.

Venture capitalists are therefore essential for any entrepreneur who wishes to develop their business idea into a successful business. After all, without venture capitalists, entrepreneurs would not have the knowledge or skills to bring their ideas to market. However, while they do offer their expertise and knowledge in return for equity shares or debt financing in a venture capital backed business, they are very similar in the type of skill sets they possess.

Case Study 6: Saurabh

Product: Mobile Payment App

A successful example of a venture capitalist is Saurabh, the entrepreneur behind the popular consumer product "The Carioc", which is designed to reduce the need to carry a wallet or purse. Instead of using money, customers can pay by subscribing to an account on the Carioc website. As well as this innovative service, Saurabh also provides his clients with "The Pocket," a small credit card sized device that fits into their pockets and allows them to access their balance and cards at all times. These new products make digital payments in stores a lot less expensive for consumers because they are no longer tied up with their wallets and purses.

Saurabh's products are backed by venture capital because after investing in the idea, he set up his own venture capital fund. In this way, Saurabh has saved money in the early stages of product development, allowing him to invest a lot more money into marketing and developing his own brand name. This has helped him achieve a phenomenal level of success with new products such as The Carioc and The Pocket.

The key difference between venture capital and other types of investors is that they will only provide funding in return for equity shares in the company or debt financing that is tied up with any potential profits that arise from the business. While this can be a very risky strategy, it can also provide great rewards as we see in the case studies above.

Achieving success with venture capital comes down to having the right business idea, the right business model and then knowing how to execute it. However, when it comes to execution, there are many pitfalls that can befall an entrepreneur during their venture capital journey. We will look at these issues in more detail at each stage of product development and business building below.

The first stage of venture capital is when an entrepreneur is developing their new product or new service idea. This is a time when they must position themselves alongside other ventures

and target markets in order to successfully generate interest from prospective investors.

At a basic level, entrepreneurs must consider where they are going to find a market for their product or service in order to generate sales. Those with a great deal of experience in this field will have already considered this question and gained knowledge about the companies that dominate any industry they wish to enter. They will have also determined how their product can be marketed so that it stands out from the crowd of competing rivals.

However, it is possible for an entrepreneur to develop their initial idea into something with much more potential than first thought. This may involve changing the market, target audience or even product itself depending on what stage development the venture has reached at this point.

Case Study 7: Ashish

Product: Cookies

In this case study, Ashish is a successful entrepreneur who has successfully launched his new product, "Ashish's Gourmet Cookies". These cookies are very unique in that they are all made from scratch. However, Ashish has taken a completely different approach to his idea, but he has not lacked the knowledge to do so.

Instead of focusing on the usual ingredients such as flour and sugar, Ashish decided to use his own recipes for both the dough and the filling. To make these new recipes he was familiar with both the time needed to prepare them and how they had changed over time. This information enabled him to carefully analyse the results of his experiments in order to come up with a new recipe that would suit him, but also have the best flavour and texture.

To this end, Ashish has created something completely new: a gourmet cookie business that makes everything from scratch. Instead of simply placing his cookies in a bag, he has decided to package them up himself. These simple yet important details enable Ashish's gourmet cookies to be unique in the market place as well as specialist for people who are looking for an authentic alternative to mass produced cookies.

After developing an initial idea into something with potential, entrepreneurs must now look at how they can successfully execute their idea into a repeatable process.

Every entrepreneur who wishes to achieve success with venture capital must consider how they can consistently repeat their process, ensuring that they are able to deliver the same product or service they promised in the future. This is particularly important if venture capitalists are providing debt financing alongside equity shares, as successful performing companies can generate more profit and income for all their stakeholders.

The first thing entrepreneurs must consider when thinking about execution is whether or not their processes are scalable. This means that the company must have the potential to grow at an exponential rate and produce results consistently, even on a larger scale.

Case Study 8: Manish

Product: Smartphone Games

In this case study, Manish is a successful entrepreneur who has developed an app for children to play games on their parents smartphones. The scalable process he used involved running a crowd sourcing website where he could advertise his product and get it funded instantly. This is an example of how an entrepreneur can take their product idea and make it viable with venture capital.

Manish's app offers a range of games for children to play on their parents smartphones and tablets. These products allow children to interact with their favourite app characters in a much more interactive and engaging way. This will mean that the company that Mark is developing this new venture for can market itself alongside other toys and even films for children, thereby increasing its brand exposure.

This is a very profitable business model because Manish's apps are not only entertaining, but also educational and useful. This will appeal to all types of parents who want to be able to entertain their children without having to rely on technology such as TV or computer games.

Manish has already taken a tremendous amount of risk in order to develop his business with venture capital. He has put in the effort and hard work required to establish his idea as a viable product. Now he must think about how he can ensure that his product is consistently profitable

and scalable so that he can truly achieve success with venture capital.

Achieving scalability for a product or service means that more consumers will be able to come into contact with the company and purchase their products. This will generate more revenue for the company because its products will be used regularly by a larger audience. We have seen this demonstrated in the examples above as well as in many other business models, including healthcare, advertising and media.

Case Study 9: Anish

Product: Life coach app.

In this case study, Anish is a successful entrepreneur who has developed an app that is created to connect people with life coaches.His new venture will be based on a social network that can help people find the right coach for their goals. This will ensure that there are more life coaches available and will also allow the company to expand its product offering by creating other products such as seminars and courses related to the industry.

Anish has come up with a scalable business model based on the insight that there are many different issues that people face in their lives, which he believes can be addressed through life coaching for each person individually. In order to make his business viable, Anish has created a scalable business model by exploiting his social network's user base and reaching out to even more people through further advertising.

This fits with Anish's strategy because it will enable him to quickly expand his social network and reach more people who are looking for advice on their issues in life. Crucially, he can build up his business faster than if he were trying to do this without venture capital. Furthermore, Anish's business model is scalable because he can create a website or app which will enable him to reach virtually everyone using the internet. This means that he has a much greater potential audience than if the process wasn't scalable.

To develop a scalable business model, entrepreneurs must first identify the key benefits that their product or service offers and how it can be used in different ways to solve different problems. These points can then be focused on for the company to market itself in order to increase its profit and revenue.

With this strategy, Anish has formed an effective plan for reaching more people and making his business much more profitable from day one. He will now concentrate on developing his app so that he is able to reach a larger audience quickly and offer his services at a lower price point than if he was relying on other organisations such as Google Play and iTunes.

To achieve scalability, a company must have the ability to expand at an exponential rate in order to reach more people. In the case of Anish's new venture, he is attempting to use his social network in order to exploit its user base and reach out to literally every person on earth. This is a very risky way of expanding his business because it means that a new addressable market will be created for him simply by existing with other networking products such as Facebook and Google+. To ensure that he can successfully execute his plan for implementing scalable processes, Anish will need to consider whether or not he has adequate resources in place and whether or not he can financially maintain this growth.

Case Study 10: Jay

Product: Professional network platform application.

In this case study, Jay is a successful entrepreneur who has developed an app for professional life coaches to advertise their services and offer advice. This venture will be based on a social network for people to engage with these coaches as well as other prominent figures within the industry.

Jay's business model can be considered scalable because he plans to exploit his social network and reach out to more people. He intends to do this using social media platforms such as Facebook and Twitter by posting links and updates that promote his app so that he can increase downloads.

This is a very bold and risky undertaking because the competition in this industry is fierce, especially with Facebook and LinkedIn providing apps that allow professionals to connect with each other. In order for Jay's business model to be scalable, he will need to do much more than simply provide a compelling app for the general

population to use. He will also need to understand how social networking technologies can be used in a way that is beneficial for his business.

Jay will have to think critically about the key benefits of his product and the different ways that people can use it. He will need to consider how these benefits can be marketed so that he is able to effectively reach out to more people and increase his profit margins.

Finding scalability for a business model can be difficult, especially when it comes to dealing with competition from large companies. For example, Jay's app will compete with LinkedIn's various marketing tools as well as Facebook's data analysis tools for business pages.

5. Findings

A content analysis was performed on the case studies that were considered for this study. The results of the analysis have been stated as follows:

Entrepreneurial Cognition has an Influence on Business Model Innovation. This is because:

a. entrepreneurs use several theories of the firm, including transaction costs theory, to develop their business models.

b. entrepreneurs use technology and innovation as design strategies.

c. entrepreneurs make strategic choices in order to expand their ability to reach consumers and optimize their results as an entrepreneur.

d. entrepreneurs rely on adapting a cost model as a basis for their financial activities, which is referred to as a financial duality model entrepreneurship.

e. There is a wide range of business model types used in the case studies, including advertising and media, healthcare, software and information technology, social networking, technology and transportation.

f. For the instances where the case studies discuss scalability, all necessary analysis is provided to explain how it can be applied to each company's business model.

g. For example:

i. Some companies use scalable business models because they need to expand exponentially in order to reach a larger audience (e.g., Crowded Road). In such cases, there is an overwhelming need for the company to grow exponentially in terms of both revenue and market share.

ii. Likewise, other companies use scalability based on the insight that their products can be used in different ways by a wider audience (e.g., Anish). In such cases, companies will look for resources and insight that can enable them to expand their business model rapidly.

iii. For some companies, social networking is a key to growth and profit because it can generate revenue or motivate customers through word of mouth.

iv. For others, social networking is simply a channel through which they market and promote their products (e.g., Anish). In this case, there will be no need for additional expenditure to expand the platform because it is already present.

v. In other cases, social networking functions as a platform for interaction between different users. In such cases, there is no need to require additional investment in order to expand the platform because it is already present.

d. The case studies suggest that it is uncommon for entrepreneurs to clearly state how they plan on expanding their business model or platforms when social networking is incorporated as part of their business model.

e. As far as Entrepreneurial Cognition and its Influence on Business Model Innovation is concerned, the results suggest that entrepreneurs who rely on social networking and other online platforms to expand their businesses will be more likely to use exponential growth in their business models.

6. Recommendations

Entrepreneurial Cognition can be a useful tool for predicting how business models will be implemented. This is because entrepreneurship is a relatively new field and the ways in which business models are implemented have increased at an exponential rate due to the influence of social media technologies. By taking into account previous studies on Entrepreneurial Cognition, new research can be performed that focuses on the link between how theories of the firm contribute to Business Model Innovation

and how social networking technologies can assist with that development. For example:

a. Previous researchers have stressed the importance of including affective and cognitive decision making in the process of business model development (e.g., Feiten and Block, 2006). This study can build on their findings by investigating the ways in which entrepreneurial cognition influences the development of business models.

b. Previous researchers have stressed the importance of including social networks in creating a scalable business model (e.g., Swartz, 2010). By combining these findings with previous research on Entrepreneurial Cognition, new research can be performed that investigates how social media technologies are used to develop scalable business models.

c. Previous researchers have stressed the importance of considering transaction costs in business model development (e.g., Perrow, 1983). This study can build on this research by investigating how entrepreneurs use transaction cost theories as a basis for their business model development.

Based on the findings and analysis of the case studies, it is recommended that entrepreneurs should incorporate scalable processes into their business models when social networking is incorporated as part of the product, service or platform being developed. Such processes should be based on how social networks can influence growth or revenue, and should not focus on how the benefits of a product, service or platform can be used in different ways.

If social networks are used effectively by entrepreneurs, there will be a higher chance that they will be able to achieve exponential growth by exploiting the network's potential. However, it is important to note that entrepreneurs should not rely on the social media platform to be scalable. This is because social networks can be eliminated or even made inaccessible at any time by their owners (e.g., Twitter, Facebook).

In order for entrepreneurs to be successful when implementing scalable processes for their business models, they will need to ensure that their products and services are valuable enough for consumers to notice them and want to reciprocate with positive word of mouth.

7. Conclusion

In conclusion, Entrepreneurial Cognition is a reliable predictor of Business Model Innovation. As such, it can be said that the results from this study are valid and support previous findings on Entrepreneurial Cognition. This is also true of the predictions made in previous research which were confirmed by the case studies in this study.

The results, implications and recommendations as well as implications for future research suggest that a deeper understanding of how business models are developed is required. This includes investigating how social media technologies function to assist entrepreneurs when developing scalable business models.

Business Model Innovation is relatively new area of research within entrepreneurship and the empirical investigation into its nature has been limited by difficulties that stem from the conceptualisation and operationalisation of business model innovation (e.g., Lee et al. 2007). This study has therefore provided a more detailed understanding of the role that entrepreneurs use social networking and online platforms as part of their business model development. In particular, it has shown that Entrepreneurial Cognition can be used to predict when a business model will develop by incorporating it into the business model.

This study has investigated how Entrepreneurial Cognition, Social Networking and Online Platforms can be used in order to predict Business Model Innovation because Entrepreneurial Cognition is the most reliable predictor of Business Model Innovation observed in previous research (e.g.,

Lee et al. 2007). This study has also shown that Entrepreneurial Cognition can be used to predict Business Model Innovation by incorporating it into the business model. It has further shown that Entrepreneurial Cognition predicts Business Model Innovation in a reliable manner when social networking and online platforms are included as part of the business model. Furthermore, it was validated using two case studies in which entrepreneurs implemented a scalable business model utilizing social networking and online platforms as part of their product or service being developed (e.g., Facebook).

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