

CONSUMER SOVEREIGNTY AND ENTREPRENEURSHIP

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ABSTRACT

In this dissertation I explore the role of the consumer in the entrepreneurship process. Whereas so far entrepreneurship theory has paid cursory attention to consumers, recent research has begun to uncover an increasing role for the consumer in entrepreneurship processes, from idea generation to outcome determination. Theorists so far understand this consumer involvement as exceptional and strictly unnecessary. I challenge this view, offering a novel framework founded in the Austrian School of economics and the principle of “consumer sovereignty,” which suggests that entrepreneurship is universally consumer-driven. That is, consumers are not in some cases involved in entrepreneurship. Instead, I suggest that if we trace back entrepreneurship to its very origin, we will find in each and every case an unsatisfied consumer.

Here I outline a general theory of entrepreneurship built around the consumer sovereignty principle. I then explore the importance of a profound knowledge of consumer needs, in conjunction with technical knowledge, in generating valuable innovations, and test these factors in an experimental design. Finally, I revisit the new product diffusion and industry formation theories, and reconsider the role of the consumer in determining new product success. I propose that consumers’ uncertainty may be the primary and driving mechanism that underpins new product diffusion, and demonstrate its theoretical viability in an agent-based model.