ENTREPRENEURIAL EXPERIENCE: DIFFERENTIAL EFFECTS OF STARTUP-SPECIFIC VS. INDUSTRY-SPECIFIC KNOWLEDGE (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss4/5

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SUMMARY

ENTREPRENEURIAL EXPERIENCE: DIFFERENTIAL EFFECTS OF STARTUP-SPECIFIC VS. INDUSTRY-SPECIFIC KNOWLEDGE

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Principal Topic

Research suggests that prior knowledge plays an important role in differentiating performance between novice and serial entrepreneurs (Westhead & Birley, 1993; Westhead & Wright, 1998; Westhead, Ucbasaran, & Wright, 2005). We suggest that there are two important areas of prior knowledge – startup specific knowledge and industry specific knowledge. We define startup specific knowledge as experience gained by an individual when the individual founded two or more business ventures that they owned and operated before starting their current business venture. This knowledge is tacit in nature and extremely difficult to codify or transfer to others. Further, we define industry specific knowledge as information concerning a certain industry that is available at a given point in time, and that could be acquired by individuals who are willing to invest resources in gaining that information. This may include such information as an understanding of the size and structure of the market and the key success factors in the market.

The purpose of this research is to determine which of these two types of prior knowledge is more important for the entrepreneur to possess, in order to enhance the performance of the new venture.

Method

We use samples from two data sets – 817 nascent entrepreneurs from the PSED and a dataset gathered using a self-report questionnaire of 140 participants in three Midwestern metropolitan cities in the U. S. using a web survey. The initial analysis involved dealing with missing data, leaving us with 121 usable responses, 63 of whom were novice entrepreneurs and 58 who were serial entrepreneurs. Our analysis incorporates a combination of methods, including regression analysis and SEM.

Results and Implications

The results of this analysis suggest that experience is essential for entrepreneurs. Further, although both types of experience are important, the effect of industry specific knowledge appears greater than startup specific knowledge in new venture formation. Differentiating and characterizing types of knowledge could allow researchers to more closely examine complex processes such as opportunity search and discovery. These processes are extremely difficult to examine because researchers can only identify opportunity discovery after it has been discovered and exploitation has begun, creating a left-censoring problem (Shane 2004).

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