THE SECRETS OF SUCCESS: THE ROLE OF IDEA SHARING IN EARLY STAGE ENTREPRENEURSHIP (INTERACTIVE PAPER)

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Principal Topic

It is common thinking among entrepreneurs that they should not share too much information about their ideas for companies in the early stages of the venture (Arrow, 1971; Gans & Stern, 2003). However, in order to grow from a mere idea to a viable business, many entrepreneurs must be able to articulate their ideas about opportunities to attract external developmental resources (Roberts, 1991). These resources might include early employees, investors, and lead customers. Therefore, the ability of an entrepreneur to effectively share information about his or her venture is a potentially critical capability in the earliest stages of entrepreneurship. Yet, there is little research that examines how capabilities in the sharing of ideas affect performance in the earliest stages of entrepreneurship. Most research on the sharing of ideas has focused on either the economics of information sharing or product development outcomes in established firms. The economic research explores how different information strategies affect economic appropriateness. Other research predominately focuses on product development outcomes rather than early entrepreneurial objectives. This paper specifically explores how capabilities in information sharing affect early entrepreneurial outcomes.

Method

To examine the role of information sharing and entrepreneurship success, we utilize data from the MIT $100K entrepreneurship competition, one of the oldest business plan competitions in the world. The competition hosts an “Elevator Pitch Contest” (EPC) where contestants deliver 60 second pitches to seek out team members and practice for the $100K, while vying for the EPC’s monetary prize of $5K. The content of these pitches, then, becomes critical for the decision-making criteria used by the judges to determine if the entrepreneurs and/or the ideas merit award money. Therefore, the entrepreneurs had to determine which information to share and how to share it.

Results and Implications

We use content analysis on the pitches and cross-reference this with the judges’ scores to determine the elements and trends of effective content. This study offers an empirical snapshot of what entrepreneurs try to accomplish by sharing information at the nascent stages of an idea while providing insight into how pitches are crafted. The findings also identify what information should be shared given different early stage objectives. Through our analyses we develop a comprehensive typology of the information entrepreneurs decide to share, believe they should share, and what they gain as a result of sharing certain types of information.

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