UNDERSTANDING ENTREPRENEURIAL EXIT DURING ORGANIZATION EMERGENCE: AN INTEGRATION OF STRATEGIC AND BEHAVIORAL PERSPECTIVES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

UNDERSTANDING ENTREPRENEURIAL EXIT DURING ORGANIZATION EMERGENCE: AN INTEGRATION OF STRATEGIC AND BEHAVIORAL PERSPECTIVES

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Principal Topic

What explains why some entrepreneurs quit during the process of venture creation? For this study, we explore the reasons nascent entrepreneurs offer for quitting the process of venture creation and we link types of reasons for quitting with prior capabilities and efforts to provide insights into indicators of venture disbanding. We integrate both strategic and behavioral perspectives into a model of venture disbanding. And, we test this model using data from the panel study of entrepreneurial dynamics.

Method

The proposed theoretical framework is examined by studying emerging ventures using data from the panel study of entrepreneurial dynamics (pseud). Details of the survey process and descriptions of specific items in the questionnaires used for the initial and follow-up interviews can be found in the handbook of entrepreneurial dynamics (gartner, et. Al., 2004). Consistent with previous studies, we measure resources at the nascent stage by entrepreneurs’ human capital (i.e., education, startup experience, working experience). Personal sunk costs are measured by personal investment (money) and business planning (efforts). Alternative opportunities are measured as a dichotomous variable with presence or absence of other attractive opportunities.

We plan to employ a series of hierarchical regression models with strategic and behavioral variables entering as separate blocks, followed by interaction terms. Control variables include industry and growth orientation.

Implications

From a theoretical standpoint, this paper represents an initial effort towards building a mid-range theory that accounts for the resource endowments that nascent entrepreneurs have and seek to utilize with the quality of opportunities they pursue within their venture development efforts as well as those opportunities they recognize in the broader context of their situations. From a practical standpoint, our findings should point towards a set of indicators of the types of factors leading towards quitting the venture creation process. We expect to show that the factors that lead entrepreneurs to quit due to reasons involving their specific venture opportunity such as “poor quality opportunity” or “lack of resources” are likely to be different from such reasons as “found a better opportunity” that constitute a larger set of opportunities they face outside their specific venture creation efforts.

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