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## A LONGITUDINAL ANALYSIS OF ANTECEDENTS AND CONSEQUENCES OF SENSE-MAKING ACTIVITIES BY NASCENT ENTREPRENEURS (SUMMARY)

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## SUMMARY

### A LONGITUDINAL ANALYSIS OF ANTECEDENTS AND CONSEQUENCES OF SENSE-MAKING ACTIVITIES BY NASCENT ENTREPRENEURS

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#### **Principal Topic**

This research seeks to identify antecedents and consequences of entrepreneurial sense-making activities while addressing the potential problems originating from the endogeneity of a nascent entrepreneur's actuation. First, we analyze different factors that determine the selection of a nascent entrepreneur's deductive and inductive sense-making approach. The antecedents of sense-making include the founder's education, work experience, as well as cognitive characteristics. Second, we investigate how the selected sense-making approach effects the development of the emerging firm regarding development-progress of the product/service offering and the acquisition of external financing.

#### **Method**

Our quantitative analysis draws on longitudinal data from the Panel Study of Entrepreneurial Dynamics (PSED II). Our sample is comprised of 474 individual founders who are in the process of establishing their firm. In order to account for the endogeneity of a founder's chosen sense-making approach, we apply a two stage regression approach. We analyze the two stage models independently and subsequently compute models based on instrument variables and Heckman specifications. By interpreting and comparing the results, we can assess the true causes and effects of sense-making activities as well as potential biases arising from the endogeneity of a nascent founder's actions.

#### **Results and Implications**

Our findings show that advanced academic education, managerial experience, and task innovativeness increase the likelihood of adopting a deductive sense-making approach while industry experience decreases the likelihood of deductive sense-making. At the same time, managerial and task innovativeness also leads to inductive sense-making. Moreover, entrepreneurs who are more inclined to avoid uncertainty are more likely to engage in inductive sense-making and less likely to undertake deductive sense-making activities. Also, entrepreneurial perseverance prevents individuals from engaging in deductive sense-making, yet has no effect on the likelihood of inductive sense-making.

With regard to the consequences of sense-making activities, deductive and inductive sense-making mechanisms have diverging effects on the two outcome measures: external funding and offering development. Controlling for the endogeneity of a founder's choice of sense-making mechanisms, we find that deductive sense-making facilitates the acquisition of external financial resources. In contrast, inductive sense-making increases the nascent firm's progress towards completing the offering development. In addition, we find various other factors that directly impact the acquisition of external financing and the development of the product/service offering.

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