6-12-2010

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Ferdinand Jasper
Erasmus University, fjaspers@rsm.nl

Tony Hak
Erasmus University

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol30/iss20/1

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A NOVEL APPROACH TO THE STUDY OF THE TEMPORAL SEQUENCE OF GESTATION ACTIVITY

Ferdinand Jasper, Erasmus University, the Netherlands
Tony Hak, Erasmus University, the Netherlands

Principal Topic

Nascent entrepreneurs can engage in a wide variety of gestation activities and these activities can occur in many different combinations. Research on the gestation process has failed to find temporal sequences of gestation activities, thus concluding that the gestation process is chaotic and random (Liao, Welsch and Tan, 2005; Reynolds and Miller, 1992). Hence, our understanding of the gestation process is mostly of a descriptive and a variance-based nature, rather than of a process-based nature that takes into account the temporal ordering of events. In this paper we challenge the hypothesis that there is no temporal structure in the gestation process. We posit that this structure was not observed in prior studies due to the lack of an appropriate methodology. We apply in this paper a novel approach to the study of temporally-ordered data, called TQCA (i.e., Temporal Qualitative Comparative Analysis; Caren and Panofsky, 2005; Ragin and Strand, 2008). It aims at a causal explanation of a certain state or outcome (e.g., successful start-up or firm termination) by specifying configurations of conditions (e.g., the occurrence of a specific combination of start-up activities) that bring it about.

Method

In this paper we apply TQCA on data from the second Panel Study of Entrepreneurial Dynamics (PSED II). We focus on the gestation process of 111 started businesses. These businesses were all independent businesses and the respondents started thinking about establishing this business a maximum one year before the first interview (Wave A). The start date was defined as both having registered the firm’s legal form and having earned a first income from sales. In the PSED II data set we have selected 40 activities and events of which the month and the year of their occurrence have been indicated by the respondent, which allows us to investigate their temporal order. We aim at finding a small number of temporal sequences of some of these gestation activities that result (equifinally) in (a) the founding of new firms and/or in (b) the termination of young firms.

Results and Implications

In this paper we show which temporal sequences of gestation activities result in the establishment of new firms. In addition, we show which temporal sequences of gestation activities characterize those started companies that have been dissolved quickly after their birth. More specifically, by applying TQCA we explore whether one or more sequences of necessary conditions exist. Both our empirical findings and the demonstration of a novel methodology have the potential to give new impetus to the study of the temporal sequence of the gestation process.

CONTACT: Ferdinand Jaspers; fjaspers@rsm.nl; (T): +31(0)10 408 2875; Burgemeester Oudlaan 50, Room T11-45, 3062 PA Rotterdam, the Netherlands.