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BUSINESS MODEL CHANGE AND PERFORMANCE OF EARLY-STAGE ENTREPRENEURIAL FIRMS (SUMMARY)

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≈ SUMMARY ≈

BUSINESS MODEL CHANGE AND PERFORMANCE OF EARLY-STAGE ENTREPRENEURIAL FIRMS

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Principal Topic

Business models are receiving increasing attention from practitioners and academics in entrepreneurship and management. However, few studies on business models have considered how the process of change unfolds over time. This study attempts to address this gap by examining how business model elements change in real time for early-stage entrepreneurial firms facing technology, market, and managerial uncertainty, and how this process of change links to firm performance.

Method

An inductive, longitudinal multiple-case research design was used. The research setting was early-stage university spin-offs from a single university in the UK. I conducted twelve months of longitudinal (monthly) semi-structured interviews with the founders of eight spin-offs, totaling 96 interviews. Retrospective interviews were conducted with additional informants, and archival data were gathered from internal and external sources. Data collection started in April 2011 and ended in July 2012. I developed case histories for each firm, tables with company descriptions and performance data, and business model maps describing changes to the different elements. Firm performance was assessed by a composite measure combining objective and subjective indicators (e.g. self-perception of spin-off progress). I searched these data for patterns and induced propositions.

Results and Implications

The data suggest three propositions. First, in higher performing entrepreneurial firms, *intended business models* (which reflect the entrepreneur's intentions for the future of the firm) change less often. In this cohort, these firms did not change their intended business models during the interviewing period, whereas the lower performing firms changed it at least twice. Second, higher performing firms undergo an intense period of iterative testing before starting up, in which their intended business models change often and very rapidly, by interacting with potential customers and industry experts. The third proposition is that venture performance increases with greater alignment of perceptions concerning intended and *realized business models* (already implemented) across the management team.

This study contributes to research on strategy implementation in new ventures at the business model level. First, it contributes with a longitudinal multiple-case study on business model change. Second, it contributes with an empirical support of the so-called lean startup movement. The issues addressed have practical implications for entrepreneurs striving to design and implement successful business models.

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