THE EFFECT OF SOLICITING ADVICE IN PRE-START UP PHASE ON VENTURE’S SPEEDING PRODUCTS TO MARKET (SUMMARY)

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THE EFFECT OF SOLICITING ADVICE IN PRE-START UP PHASE ON VENTURE’S SPEEDING PRODUCTS TO MARKET

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Principal Topic

Does the advice seeking behavior of entrepreneurs prior to starting new businesses affect the subsequent speed to market of the new venture? While a few scholars have studied the effects of various pre-startup activities, such as business network (Davidsson & Honig, 2003), home-base location choice (Brush et al., 2008), and unique sets of activities (Newbert, 2005) on the early ventures’ speed to market, little is known about the effect of advice seeking behavior as an important gestation activity on speed to market. This motivates us to ask the research question: How and to what extent is a new venture’s speed to market influenced by an entrepreneur’s advice seeking behavior prior to and at the time of start-up? We develop and test hypotheses based on two dimensions of advice seeking: (1) frequency and (2) breadth. Specifically, we hypothesize an inverted U-shaped relationship between the level of advice seeking frequency and a new venture’s fast achievement of its first sale. In addition, breadth of advice seeking positively moderates the curvilinear relationship between advice seeking frequency and fast achievement of first sale.

Method

We collected survey data from 156 high-technology venture companies in South Korea (n=106) and China (n=50). The total usable response rate was 18.6%. Hypotheses were tested using OLS hierarchical regression.

Results and Implications

The results of the analysis indicate that an increase of advice seeking frequency is positive to a certain level for fast achievement of a venture’s first sale. However, beyond that level the speed to first sale declines. Moreover, we found both the positive and the negative slope of the relationship between advice seeking frequency and speed to market to be steeper for ventures with entrepreneurs seeking advice more broadly. Theoretically, we extend scholarly understanding of critical entrepreneurial behaviors. Although advice seeking behavior is a main part of processes of information search in new venture creation (Cooper et al., 1995), little attention has been paid in examining the effect of advice seeking behavior. This research also contributes to prior literature by providing empirical evidence of the too-much-of-a-good-thing effect (TMGT effect, Pierce & Aguinis, 2013) of advice seeking behavior. We show too much solicited advice can delay ventures’ speed to market, and the nature of this phenomenon is affected by conditions of more diverse advice sources chosen.

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