THE ROLE OF DIFFERENT TYPES OF EXPERIENCE ON EXPECTATIONS AND PERSISTENCE IN THE STARTUP PROCESS (SUMMARY)

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THE ROLE OF DIFFERENT TYPES OF EXPERIENCE ON EXPECTATIONS AND PERSISTENCE IN THE STARTUP PROCESS

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Principal Topic

Some studies explore whether and how expectations about the venture’s performance drive entrepreneurs’ motivational force to pursue such ventures (Uy, Foo, & Ilies, 2015; Renko, Kroeck, & Bullough, 2011), while others explore the link between expectations and entrepreneurial performance (Hoang & Gimeno, 2010; Wiklund & Shepherd, 2003).

We explore the implicit assumption that the factors affecting expectations also affect performance through the lens of expectancy theory (Vroom, 1964) by theorizing about the effects of three important experience types (specific industry experience, managerial experience, and start-up experience) on entrepreneurial expectations. Then we argue that experiences affect expectations, yet not all types of experience also impact performance in terms of persistence throughout the nascent venture stages.

We offer three contributions. First, if one type of experience impacts expectation without impacting performance and another impacts performance without impacting expectations, tests that combine experience types might be misleading. Second, because it is important to understand the factors that 'keep venturers going' (Wicker & Davidsson, 2015), we show which forms of experience may lead venturers to persist throughout the initial venture development phase. Third, our study cautions against survival bias since venturers who do not persist are not part of any subsequent studies on entrepreneurial performance.

Methods

We test our hypotheses with data from the combined PSED-I and PSED-II. We record three experience types and financial income expectations year one and five of operating the venture prospectively, skirting any biases of retrospection or memory demise. Tracking 805 nascent start-up efforts of American venturers for up to 72 months, we record the time it takes to bring their nascent venture to market or alternatively to abandon it (Parker & Belghitar, 2006). We use regression models to estimate the impact of experience on expectations and model the effect of experience and expectations on persistence with longitudinal competing risk models.

Results and Implications

Our findings suggest that some sources of experience, namely specific industry experience and managerial experience, influence expectations and also influence persistence with the startup effort. Previous startup experience, although it impacts the formation of long-term expectations, does not appear to influence persistence. Finally, we find no indication of general work experience influencing neither expectations, nor nascent venturing outcomes.

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