INIMITABLE KNOWLEDGE AND ENTREPRENEURIAL PERSISTENCE (INTERACTIVE PAPER)

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INIMITABLE KNOWLEDGE AND ENTREPRENEURIAL PERSISTENCE

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Principle Topic

Resource-based theory (RBT) framework argues that new ventures may establish sustainable competitive advantage by virtue of the idiosyncratic – and therefore inimitable – knowledge that they possess (Levie & Lichtenstein, 2010; Newbert, Kirchhoff, & Walsh, 2007; Wiklund & Shepherd, 2003; Zahra, Sapienza, & Davidsson, 2006). People start firms. But firms do business. The literature does not, however, adequately tell us about the transition from person to firm. This transition can be bridged by examining the knowledge-creating behaviors of people who establish sustainable new firms.

Methods

We use data from the U.S. Panel Studies of Entrepreneurial Dynamics (PSED I, Gartner, Shaver, Carter, & Reynolds, 2004; PSED II, Reynolds & Curtin, 2009; and the Harmonized Transitions and Outcomes dataset, Reynolds & Curtin, 2011) to examine the relationship between the entrepreneur’s knowledge and subsequent success in creating a new firm. This last dataset contains all nascent entrepreneurs (830 from PSED I and 1,214 from PSED II) and 127 different variables that can collectively be used to provide standardized measures of the timing and nature of start-up activities. Along with population-balancing and other data cleanup we reduced the final dataset to a total of 1,410 respondents, or 68.9% of the original total of nascent entrepreneurs.

Implications

The pivotal independent variable is whether the business idea came first, whether the desire to start a business came first, or whether the two came at the same time. We regard a person who says that the idea either came first or came together with the desire as having some inimitable knowledge on which to build a successful business. By contrast, a person who says that the desire came first simply wants to be an entrepreneur, regardless of having any particular advance knowledge. At 36 months we retain 1,350 cases for which the outcome is known. We tested the three outcomes (new firm, effort abandoned, effort still active) separately. Among entrepreneurs who had successfully launched new companies, it did not matter whether the idea or the desire had come first. The same was true for entrepreneurs who had abandoned their organizing efforts. For entrepreneurs who were still actively involved in launching their companies, however, what came first did matter. Entrepreneurs who either had the idea first, or who had the idea at the same time as the decision, were significantly more likely to still be active (p < .015) than entrepreneurs who had begun the process with the desire alone.

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