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SUMMARY

DRIVERS AND OUTCOMES OF ISOMORPHIC BEHAVIORS OF NEW VENTURES

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Principal Topics

Business planning is often conceptualized as isomorphic behavior conforming to normative forces (e.g., Honig and Karlsson, 2004). Despite extensive research on business planning, this research stream has not sufficiently considered the alternatives to planning. Particularly in nascent firms, we propose that procrastinating and taking other startup activities should be discriminated as alternatives of planning because the two have different implications on performance, potentially blurring performance implications of business planning. We argue for positive performance implications of early action as well as early planning. We also investigate antecedents of the different entrepreneurial behaviors and hypothesize that people with advanced education tend to engage in early planning. On the other hand, experienced entrepreneurs are more likely to engage in early action but less likely to engage in early planning.

Method

Examining a panel of 810 nascent entrepreneurial firms over a period of five years using Panel Study of Entrepreneurial Dynamics II, we measured the intensity of early planning activity based on whether entrepreneurs started preparing business plan, financial projections and market research in the earliest stage of firm development, i.e., the first two years (Bluedorn & Martin, 2008). Similarly, the intensity of early action was measured by whether they started product development, established supplier credits, and purchased any raw materials during the same period. The years of education and industry experience were calculated to identify impacts of entrepreneurs' human capital on early startup activities. Firm performance was measured in terms of profitability. Also, we used Lee's (1983) generalization of the Heckman selection model to correct for potential sample selection bias (Greene, 2010).

Results and Implications

As hypothesized, we find that education positively influences early planning. Conversely, industry experience negatively affects early planning but positively influences early action. Next, both types of early startup activities, i.e., early planning and early action, were found to have positive impacts on firm performance. Our conceptual model and empirical findings provide valuable insights to scholars interested in business planning, entrepreneurial action, human capital, and the new venture creation process by informing how different types of human capital influences different entrepreneurial behaviors while both types of behaviors are important for success of new ventures.

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