MEASURING THE (INITIAL) BUSINESS MODEL OF A NEW VENTURE (INTERACTIVE PAPER)

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MEASURING THE (INITIAL) BUSINESS MODEL OF A NEW VENTURE

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Principal Topic

Building on previous research on start-up activities that lead to successful firm formation, and elements and configurations that is needed for a firm to grow the principal topic of our study is how new ventures’ initial business models can lay the foundation for future development is new firms. The main objectives of our study are to (i) propose an operationalization of the business model concept, and (ii) demonstrate empirically the usefulness of the operationalization.

Method

In the empirical part we utilized a unique data set on a cohort of new startups (NTBFs) in Sweden, Finland, and France started in 2013, 2014 and 2015. Data was collected through telephone interviews and we received valid answers from 401 startups in Sweden (a response rate of 17%), 200 in Finland (22%) and 148 answers from France (16%). In total a total sample of in 749 responses from new-technology based startups. We operationalized nine business model elements: Key partners, Key activities, Key resources, Value propositions, Customer relationships, Channels, Customer segments, Cost structure and Revenue stream. We also collected data (among others) about the current performance of the startups.

Results and implications

We are able to identify two different patterns in which initial business models of NTBFs can be captured. One pattern relates to business models as complex or simple and the other to the degree of innovativeness of the business model. The more innovative and complex models are, mainly found in high tech manufacturing firms, while more knowledge intensive firms are more frequent using standard and simple business models. However, it is also clear that the degree of business models innovativeness is highly industry specific. We can see some country differences, but when controlling for background variables these differences seems to disappear. Hence, we cannot identify country/culture differences in NTBFs initial business models. Furthermore, an important contribution of our study is to develop usable measures of business models in a quantitative setting and to contribute to future scale development in business model research.

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