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THE ROLE OF ADVISORS IN NASCENT TECHNOLOGY VENTURES’ DEVELOPMENT (SUMMARY)

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THE ROLE OF ADVISORS IN NASCENT TECHNOLOGY VENTURES’ DEVELOPMENT

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Principal topic

Advisors are important for nascent ventures, as they offer advice, knowledge and potentially useful business contacts and can significantly contribute to a venture’s sales growth and innovation. Given the limited time and attention of entrepreneurs, we question the generally held assumption that more advice is better, by investigating the impact of the type of advice. We hypothesize that business and technology advice will both have a positive impact on a venture’s business model development and technology progress. We further propose competing hypotheses regarding the positive effect of advisors; namely, whether advice is more useful for inexperienced founders in greater need of advice or for experienced founders that are better able to implement suggestions. Finally, we examine whether the effect of the nature of the advice on a venture’s business and technology development depends on the nature of the entrepreneur’s prior experience.

Method

We use a sample of 121 nascent technology entrepreneurs, corresponding to 86 unique ventures, that is drawn from the technology entrepreneurs participating in the University of Southern California’s Accelerating Commercialization of Collegiate Engineering and Science (ACCESS) study, linked to the Innovation Corps (“I-Corps”) training program developed by the National Science Foundation. We measure the venture’s development with the number of start-up activities conducted, which is a measure based on the Panel Study of Entrepreneurial Dynamics (PSED) questionnaire, and a self-assessment of the venture’s technology maturity.

Results and implications

Our results show that business advice is linked with both a higher business development and higher technology maturity. Technical advice, conversely, is associated with a negative impact on the venture’s technology maturity but has no direct impact on the venture’s business development. We further find that advice is mostly linked with higher performance when the entrepreneur is more experienced and that advice is particularly beneficial when the nature of the advice complements, rather than amplifies, the entrepreneur’s particular domain experience.

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