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THE RELATIONSHIP AMONG FACTORS REPORTED AT BUSINESS REGISTRATION AND SUBSEQUENT EARLY BUSINESS PERFORMANCE (SUMMARY)

Espen J. Isaksen
Bodo Graduate School of Business, espen.john.isaksen@hibo.no

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Principal Topic

A number of empirical studies have explored and identified factors associated with business performance. However, few studies have investigated how factors reported at business birth influence subsequent new business performance. In this study the following broad research question will be addressed: Which factors reported at the time of new business registration are related to subsequent early business performance? Indicators of early business performance are surveyed in terms of sales turnover, invested financial capital and employment. A conceptual framework consisting of three theoretical perspectives have been developed in order to select key variables assumed to be associated with early business performance. Firstly, based on the theory of planned behaviour (Ajzen, 1991) an intention-based model is developed. According to this model the entrepreneurs’ intention to grow the businesses is the key explanatory variable of actual business growth. Secondly, using the human capital framework, a model focusing on the entrepreneurs’ key human capital attributes is utilized. Thirdly, based on Bourgeois’ (1980) conceptualization of domain definition strategy, a model referring to new businesses’ selection of domain of operation is developed. In addition, an integrated model is developed combining the three models. Based on previous conceptual and empirical research several hypotheses are developed.

Method

The hypotheses are tested utilizing a representative sample of 303 independent businesses surveyed over two points in time. The initial survey took place shortly after business registration. Follow-up data relating to early business performance was collected approximately 19 months after the initial survey. Multiple regression analysis is used to formally test the hypotheses.

Results and Implications

A key contribution relating to this study is the analysis of a large representative sample of new businesses over two points in time. Results suggest that variables relating to each of the three models contribute to the explained variance in early business performance. A key finding is that entrepreneurs reporting stronger growth intention are significantly more likely to report subsequent superior early business performance. The empirical findings relating to the integration of the three models suggest that using several theoretical perspectives and different level of analysis is appropriate and useful when exploring variation in early business performance. Practical implications are discussed.

CONTACT: Espen J. Isaksen; Espen.John.Isaksen@hibo.no; (T): +47 75517686; (F): +47 75517268; Bodø Graduate School of Business, N-8049 Bodø, Norway.