NEW VENTURE START-UP VERSUS BUSINESS TAKEOVER: THE IMPACT OF ENTREPRENEURIAL HETEROGENEITY (SUMMARY)

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Recommended Citation
Helleboogh, David; Laveren, Eddy; Jorissen, Ann; and Martens, Rudy (2009) "NEW VENTURE START-UP VERSUS BUSINESS TAKEOVER: THE IMPACT OF ENTREPRENEURIAL HETEROGENEITY (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 29: Iss. 5, Article 9.
Available at: http://digitalknowledge.babson.edu/fer/vol29/iss5/9

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SUMMARY

NEW VENTURE START-UP VERSUS BUSINESS TAKEOVER: THE IMPACT OF ENTREPRENEURIAL HETEROGENEITY

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Principal Topic

The majority of entrepreneurship researchers usually studies entrepreneurship in terms of new venture creation (Amaral and Baptista, 2007), whereas it is just as important to ensure that existing ventures continue to exist and prosper. Since most baby boom entrepreneurs are reaching the retirement age in the coming years (Berck, 2006; Gale and Scholz, 1999), insights into the antecedents and consequences of entrepreneurial entry modes are absolutely necessary. However, the extant literature is almost exclusively focused on entry modes of multinationals’ subsidiaries (Slangen and Hennart, 2008), whereas entry modes of individual entrepreneurs are mostly omitted (Parker and Van Praag, 2007).

As our focus is on entrepreneurs we respond to a research call in the literature and introduce the concept of entrepreneurial heterogeneity (novice and habitual entrepreneurs) (Westhead et al., 2005). Up till now, most entry mode studies are undertaken with a research population which consists of a mix of novice and habitual entrepreneurs whereby little attention has been paid to how that sample mix affects the findings (Westhead et al., 2005).

Method

A postal questionnaire to the principal owner-manager resulted in a sample of 433 ventures. Financial data were added using the Bel-First database. All data are analyzed using logistic regression models and two-stage Heckman procedure.

Results and Implications

We argue that it is crucial to distinguish both novice and habitual entrepreneurs if we wish to understand the antecedents and consequences of new ventures’ entry mode. Through this research approach we make a threefold contribution. First we find evidence that the type of entrepreneur (novice/habitual) has an important impact on the entry mode choice. Second our results indicate that the extent to which demographic characteristics of the founder influence the entry mode depends very much on the type of entrepreneur. Finally, the findings reveal that the entry mode choice is not associated with performance differences in the short run. Our findings could have important implications for the public policy initiatives designed to encourage future entrepreneurs to consider the take-over of an existing venture as an alternative to the start-up of a new venture.

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