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ENTREPRENEURIAL DECISION MAKING IN HIGH TECH BUSINESS DEVELOPMENT: A QUASI-EXPERIMENT (SUMMARY)

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SUMMARY

ENTREPRENEURIAL DECISION MAKING IN HIGH TECH BUSINESS DEVELOPMENT: A QUASI-EXPERIMENT

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Principal Topic

Research has shown that differences in decision making processes may explain differences in entrepreneurial effectiveness. Particularly rational planning based processes have been set off against other processes such as effectuation, abduction, and bricolage. However, there is still little empirical evidence on entrepreneurial decision making in the earliest phases of enterprise development. In a “living lab”, this study attempts to fill this void, by real-time tracing of entrepreneurs who start in the opportunity recognition phase. This paper shows the first results.

Method

Data were gathered in a high-tech (pre-)incubator in the Netherlands measuring a group of 15 entrepreneurs over a period of one year. To get an independent measure of quality of the process we used business panel sessions. The entrepreneurs presented their venture for two experienced business panelists. The panelists independently assessed the quality and potential of the entrepreneurs and their ventures by means of a detailed scoring form. Data on decision-making was gathered by means of a periodic diary in which entrepreneurs wrote down their main learnings, results, issues, and plans to prepare for a meeting with a business coach. 192 entries were collected, which is an average of 1 entry per month per entrepreneur.

Results and Implications

Three patterns appeared. First, low-rated entrepreneurs typically worried about one thing in particular over a period of time while high-rated entrepreneurs were concerned about a broad range of topics simultaneously. Second, high-rated entrepreneurs were more specific in their planning than low-rated entrepreneurs and indicated exactly what they wanted to achieve and with whom. Third, high-rated entrepreneurs planned more meetings and with a broader network of contacts than low-rated entrepreneurs – who worked more alone and with parties closely connected to the incubator.

The implications of this study are twofold. First, we show that highly rated entrepreneurs worry about different things and plan differently than low rated entrepreneurs and that the difference already appears in the early stages of development – before the business model is clear. Second, from the first analysis it was not yet possible to distinguish the various entrepreneurial heuristics used by the entrepreneurs. They seem to concentrate around planning, but further analysis is needed to establish the nature of their action patterns more in detail.

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