ENTREPRENEURIAL DISCOVERY AND EXPLOITATION PROCESSES: SEQUENCE OR SYMBIOSIS? (SUMMARY)

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Entrepreneurial Discovery and Exploitation Processes: Sequence or Symbiosis?

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Principal Topic

Entrepreneurship scholars are showing more interest in process (van de Ven & Engleman, 2004), but, there remains little consensus on conceptualization, operationalisation, analytical approach, or results. Some agree the twin concepts of entrepreneurial discovery and exploitation (Shane & Venkataraman, 2000) are useful sub-processes which, together, explain venture emergence (Davidsson, 2008). This perspective implicitly assumes sequential sub-processes where discovery precedes exploitation (Eckhardt & Shane, 2010). However, other literature questions the strictness of this ordering (Bhave, 1994; Sarasvathy, 2001); or suggests symbiosis, where discovery and exploitation might overlap (Davidsson, 2008). Despite the inherent importance, there is a dearth of research accounting for temporal structure in new venture emergence. Resultantly, this order hypothesis remains largely untested. Accordingly this paper makes two contributions: first, it tests the temporality of discovery and exploitation; second, it introduces a new method for such process analysis.

Method

A random sample of 493 nascent ventures provided data on venture creation activities completed and venture status. Eight activities dealt with the conceptual side of the venture, and thus operationalised discovery, twenty-two activities captured exploitation; and month-of-completion information established the order of occurrence. The resulting data essentially consisted of a timeline, or, activity sequence undertaken during venture emergence. Optimal matching (Abbott, 1995) was used to analyse these sequences. This method inherently accounts for order, allowing for entire timelines of activity to be analysed simultaneously by generating metrics of sequence similarity. Ultimately, multinomial logistic regression models were used to establish whether sequence differences coincided with venture outcomes.

Results and Implications

Results established that distinct discovery activity occurs early in venture emergence, falling away as it unfolds; while distinct exploitation activity becomes increasingly likely. This provides general evidence for an implicit order, however, this sequence may not drive positive outcomes. Discovery and exploitation occur at any stage of emergence, and co-occurrence is common. The sub-processes are often temporally entangled, with conjugate transitions from discovery into exploitation and from exploitation back into discovery. These results contradict the implicit order hypothesis. Further, ventures whose sequence includes co-incident discovery-exploitation more likely achieve positive outcomes. Thus, despite conceptual distinctions it may be difficult to temporally de-couple discovery from exploitation. In fact, decoupling discovery and exploitation may diminish any beneficial symbiosis between these processes.

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