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THE IMPACT OF FOUNDERS' COMPETENCIES AND COMMITMENT ON NEW VENTURE GROWTH: A LONGITUDINAL ANALYSIS (SUMMARY)

Krishna Poudel
University of Louisville, kppoud01@louisville.edu

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Principal Topic

The competence-based perspective of the firm regards competencies as informational capital (knowledge) which is tacit and asymmetrically distributed across firms and individuals (Foss, 1993; Pelikan, 1989). In entrepreneurship context, industry experience, start-up experience, and education of founders can be deemed as representative, objective measures of founders’ competencies. Past studies reveal, generally, a positive relationship between founders’ industry experience and start-up experience and new venture growth (Reynolds, 1993; Bruderl and Preisendorfer, 1998; Colombo & Grilli, 2005). The evidence regarding the impact of education is inconclusive (cf. Parker, 2009). Drawing on the knowledge based perspective of the firm (Rues et al, 2009; Nonaka & von Krogh, 2009; Grant, 1996), we argue that general knowledge (industry experience, education) and specific knowledge (start up experience) have differential impact on the initial revenue and change in revenue growth over time. Drawing on commitment literature (Suliman & Iles, 2000; Klein, & Kim 1998), we contend that simply having competent founders is not enough for a new venture growth. An adequate level of concomitant commitment among the founders is necessary.

Method

The data for this study comes from KFS data of new start-up firms in the US -- starting as 2004 cohort. The final number of observations that were interviewed was 4928 with an overall unweighted response rate of 43.4 % and a weighted response rate of 42.5% (Kauffman Foundation, 2010). We conducted a preliminary analysis (with n = 4577 at level 2) on the publicly available version of the data employing Piecewise Linear Growth Modeling (Raudenbush & Bryk, 2002).

Results and Implications

A piecewise unconditional model reveals that, over the four years, the annual revenue of new ventures demonstrates two pieces of growth. The predictor model revealed differential impacts of industry experience, start up experience, education, and commitment on the initial status, the first piece of growth and the second piece of growth. For instance, we found that industry experience positively influenced the first year revenue but it did not influence either piece of revenue growth. The preliminary finding suggests that the venture growth process and the impact of founders’ competencies and commitment are more complex than previously known.

CONTACT: Krishna Poudel; kppoud01@louisville.edu; (T): 502-510-1646; College of Business, University of Louisville, Department of Management and Entrepreneurship, Louisville, KY, USA, 40292.