UNRAVELING VENTURE CREATION PROCESSES WITH THE HELP OF SEQUENCE ANALYSES (INTERACTIVE PAPER)

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Principal Topic
Our paper provides two major insights. First, we find sequence analyses (SA) to be a useful tool for the study of venture creation processes. More concretely, our SA studies of the PSED2 database identify 16 ideal-typical ways of venture creation. We also identify those factors that lead entrepreneurs to set up their business in one way rather than another, which include: the composition of the founding team, the start-up motive, the venture’s industry and its region. Second, to offer guidance on how to use SA methods, we develop a decision tree that makes the alternatives of running SA analyses explicit.

Method
While SA analyses have been successfully applied to decode the human genome, their usefulness for the analysis of social science data is still contested (Levine 2000; Wu 2000). This criticism seems to be chiefly driven by the (confusingly) high number of decisions that researchers need to make in order to run SA. Using the criticism that has been raised as analytical framework, we develop a decision tree which makes the alternatives of conducting SA explicit. We apply this decision tree to study 1125 venture creation sequences of US entrepreneurs across, for which data was available in the PSED2 database.

Results and Implications
Our SA analyses demonstrate not only how to use this method, but also that it is useful for analyzing social science data in general and venture creation processes in particular. Our findings also shed new light on the main body of PSED studies which often doubt that start-up processes follow systematic patterns (for example, Reynolds and Miller 1992; Gartner, Carter and Reynolds 2004; Hills and Singh 2004, Reynolds and Curtin 2008). Interestingly, these studies are based on traditional statistical methods, like time-series regressions, which treat one event sequence as several, stochastically generated data points. SA, by contrast, treats one sequence of start-up activities as one unit of analyses. Since our SA studies identify 16 different ways of venture creation, these findings suggest that mainstream studies of the PSED2 data may not uncover systematic start-up patterns because they use less suitable methods.

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