STEPPING IN AND STEPPING OUT: ENVIRONMENTAL AND BEHAVIORAL INFLUENCES ON THE TIMING OF ENTREPRENEURIAL ENTRY AND EXIT (INTERACTIVE PAPER)

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STEPPING IN AND STEPPING OUT: ENVIRONMENTAL AND BEHAVIORAL INFLUENCES ON THE TIMING OF ENTREPRENEURIAL ENTRY AND EXIT

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Principal Topic

Entrepreneurial entry (taking a business venture to market) and exit (abandoning a business venture) are among the most central actions entrepreneurs take (Schumpeter, 1942). Extant research largely explores factors influencing whether or not new firms enter or exit the economy, rather than explaining when this happens. Yet the timing of these actions may be critical for eventual outcomes (Gersick 1994). It may be valuable for entrepreneurs to defer entry or exit until comparatively more information becomes available and uncertainty reduced (Dixit and Pindyck 1995; Parker and Belghitar 2006). However, waiting can be costly as many opportunities have limited “windows” and competition dictates that faster acting companies enjoy advantages (Bourgeois and Eisenhardt 1988; Kownatzki, Walter, Floyd and Lechner 2013). Given these opposing forces, what factors determine the timing of entry and exit? To answer this we focus on two key factors: venture adaptation and environmental uncertainty. Venture adaptation is an important driver of performance in entrepreneurial settings subject to constant change (Sarasvathy, 2001; Zahra, Sapienza & Davidsson, 2006). Yet adaptation can be costly, as it involves changing organizational routines (Carter, 1990) and redeployment of resources. Hence adaptation may delay both entry as well as exit. Higher levels of uncertainty make it more difficult for decision makers to envision future action paths (Beckman, Haunschildt & Philips, 2004), thus delaying entry. As regards exit, however, the opposite may occur as more uncertain environments are generally perceived as less hospitable (Beckman et al., 2004) thus speeding up exit. Further, we expect uncertainty moderates the relationship between venture adaptation and the timing of entry and exit.

Method

We combine data from two unique datasets to explore timing in the entrepreneurial process. First, we use data from a venture level panel-study of early entrepreneurial activity (Davidsson, Steffens, & Gordon, 2011) to establish timing of market entry and firm exit. Second, we make use of economy-wide data from the Australian Bureau of Statistics to establish industry level characteristics of the environment. The data-sets are linked by industry to facilitate a within industry and between venture research design. Finally, we use repeated measures cox proportional hazards regression to analyse the timing of entry and exit.

Results and Implications

We believe our study holds a number of implications. Most importantly, focusing on adaptation, the environment and their moderation effect on the timing of entry and exit sheds new light on how actors (ventures) and opportunity structures (environment) interact to produce outcomes, hence contributing to the nexus theory of entrepreneurship (Shane, 2003).

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