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THE INTERPLAY BETWEEN NOVELTY, PRIOR KNOWLEDGE AND RESOURCE INVESTMENTS IN NEW VENTURE EMERGENCE (SUMMARY)

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SUMMARY

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Principal Topic

Despite Shane & Venkataraman's (2000) call for studies on the interdependence of entrepreneurs and "opportunities", empirical research going beyond the individual to explore the non-actor part of the "entrepreneurship nexus", as well as the interplay between both, remains scarce (Davidsson forthcoming; Grégoire & Shepherd 2012). Replacing objective "opportunities" with subjective new venture ideas as the nexus partner, our study addresses this critical gap in the literature. Specifically, we investigate the contingent relationships through which the novelty of new venture ideas influences nascent ventures' ability to get established in the market. Highly novel new venture ideas represent a key source of economic development, as they imply greater potential for growth and high profits (Rosenbusch et al. 2011). However, novelty also increases the uncertainty, complexity and liabilities related to the venture creation process (Samuelsson & Davidsson 2009). This tension has recently led to a debate on the performance implications of novelty in the context of new ventures (e.g., Amason et al. 2006, Boyer & Blazy 2013). We advance this emerging stream of research by focusing on nascent ventures (avoiding survival bias) and by disentangling mediating and moderating contingencies pertaining to the novelty-performance relationship.

Method

Our study is based upon longitudinal data from the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE), which is partly harmonized with PSEDII in the US (Reynolds & Curtin 2009). A sample of 625 nascent ventures was identified via 30,000+ screening interviews and subsequently tracked over a five-year period for annual data collection waves. Data were analyzed using bootstrapped logistic regression-based path analysis (Preacher & Hayes 2008).

Results and Implications

Our analyses reveal that novelty exerts both direct and indirect influences on new venture performance, and that these operate in opposite directions, partially cancelling each other out. Specifically, we demonstrate that in addition to a negative direct effect on nascent venture outcomes, novelty also has a smaller positive influence through resource investments. Furthermore, we find empirical support for the compensating effects of founders' prior knowledge in the novelty-performance relationship.

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