

# **New venture creation research: from established perspectives to new horizons**

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## **The Philosophy and Design of the Collection**

It is the principal aim of this handbook on new venture creation research to contribute to the greater unification of our knowledge through presentation of a diverse range of scholarship on various aspects of the topic. This is not a paradox. Greater unity can only be achieved by canvassing a broad range of perspectives and interests within the field and searching for the common ground. The chapters in this collection are, principally, forward looking works of critique. In soliciting contributions for this volume we did not seek papers that fitted the traditional moulds of either empirically or conceptually oriented studies. Instead, when we issued our call for papers, we stressed that the mission of the book was that of critical commentary. We sought work that would focus on important aspects of new venture creation research and critically discuss, explore, criticise and suggest improvements to the field in that focal area. A reader of this book and any individual chapter within it should obtain a strong sense of both the ‘state-of-the-art’ (what has and has not been done in the field of new venture creation research) and the ‘state of what-could-and should-be’ (future directions the field should take to improve knowledge and address urgent issues). We provided an opportunity for experienced new venture researchers to tell the world not only where the field has been, but where it should be going. Their responses have provided an insightful and stimulating collection of essays which will, we hope, be of great practical value to researchers working in this vital and rapidly expanding field.

It is important to point out that, as editors, we do not equate the term ‘new venture creation’ to the whole field of entrepreneurship. We regard it as distinct subcategory of the wider entrepreneurship literature. We have not forced this view on any of the contributors to this volume but we did ask every author or authorial team, should they so wish, to provide a short explanation, for the benefit of readers of the handbook, on the distinction (if any) which they believe distinguishes entrepreneurship from new venture creation. These authorial views are provided as Appendix A, where it can be seen that most authors share our perspective. Without restricting diverse views or putting words in our authors’ mouths, this handbook, in common with Hindle and Al Shanfari in the following chapter is happy to adopt the Carter et al. (1996: 52) definition of new venture creation which is: ‘*organization creation involves those events before an organization becomes an organization that is, organization creation involves those factors that lead to and influence the process of starting a business*’. The word creation is important. The focus in this handbook is relentlessly upon new business creation rather than existing ventures. This is the case even for papers that may seem to depart from this emphasis. For instance, Johnathan Levie and Gavin Don’s paper on exploding business failure myths would seem, superficially, to be about businesses at the end of their life-cycle rather than the beginning. However, in the seed lies the tree. Fear of failure is a major deterrent to the birth of new ventures. So the dispelling of false myths about failure rates is of fundamental importance to understanding the rationale behind business births and the confidence of their creators.

We have organised the collection under four main headings:

- Setting the agenda;

- theoretical perspectives;
- data and measurement;
- NVC through contextual lenses.

## Setting The Agenda

To open the collection, Kevin Hindle and Dhafar Al Shanfari offer an analytical investigation of the new venture creation literature with the aim of providing a comprehensive and parsimonious picture of the themes that literature contains. They attempt to 'map the landscape' of new venture creation research beginning with a succinct visit to the wider literature to try to tease out some key issues and themes in the 'parent' field of entrepreneurship and its 'child', new venture creation. They summarize some key definitional issues, clarify what is meant by and covered by the term 'new venture creation' and highlight some of the controversies, perspectives and problems associated with the conceptualisation and classification of new ventures before exploring and evaluating several extant approaches to the conduct of entrepreneurship research as they affect new venture creation. They conclude by articulating the landscape of new venture creation research as it stands prior to the publication of the essays presented in this book. They produce a 'new venture creation research theme map' which encapsulates an overview of the NVC literature that may be helpful to researchers who wish to position specific future work in the context of the general development of the field to date.

Complementing the analytical approach of Hindle and Al Shanfari is the historical emphasis presented in Hans Landström and Fredrik Åström's *Who's asking the right question? Pattern and diversity in the literature of new venture creation*. Highlighting the pioneering works of William Gartner, Landström and Åström place the research on new venture creation into the historical context of entrepreneurship research in general. Analysis and discussion are based principally on a set of bibliometric analyses using the Social Sciences Citation Index (SSCI) for refereed publications on entrepreneurship and new venture creation published between 1956 and 2007. Surprisingly, the results indicate that venture creation can be characterized as a rather small area within the field of entrepreneurship research. At the same time, many different conversations are going on within the area, using different concepts in order to understand the various phenomena associated with venture creation. Over time, the research has been changeable and dynamic in terms of focal research topics. Despite this variety, however, the research on new venture creation appears to demonstrate a relatively clear distinction into two broad knowledge bases distinguished by whether the focus is on the micro or macro level of analysis.

We are always at risk of thinking that new scholarship replaces old rather than builds upon it. In his *Re-imagining "The achieving society"* William Gartner demonstrates why it is that he will always hold the prominent and honored place accorded to him not only by Landström & Åström but by everyone who cares and thinks deeply about entrepreneurship research and respects its heritage. Gartner is the scholar who was and remains at the forefront of the challenge to what many regard as the old and discredited approach of seeking understanding about entrepreneurship and new venture creation in the traits and characteristics of the individual entrepreneur. Didn't we throw that 'wrong' idea out long ago? Well, no. Gartner's (1983) ground-breaking article entitled, *Who is an Entrepreneur? is the Wrong Question*, was a direct challenge by a young scholar to the overly dominant and under-challenged preeminence of a renowned sage: David McClelland. Yet here, in his chapter for this handbook, Gartner demonstrates his breadth and openness of mind and

generosity of spirit by revisiting and exploring McClelland's book, *The Achieving Society* (1961) in search of wisdom he may have missed in his earlier critique. His exploration reveals that McClelland's 'need for achievement' might be seen as an act of the imagination. In his insightful re-reading of McClelland's classic work, Gartner discovers that 'need for achievement' is less a characteristic or trait of individuals, and more of a 'sensitivity' about one's future. Gartner focuses on portions of *The Achieving Society* to develop the intriguing perspective that 'need for achievement' is an attribution that individuals make about how they might imagine themselves. 'Need for achievement' is, therefore, seen as a prospective (and more specifically – an 'apperceptive') characteristic of an individual's view of themselves. The chapter ends with some suggestions for how a reading of 'need for achievement' as an act of the imagination might impact both theory and practice in entrepreneurship.

Readers are bound to leave this paper with a greater sensitivity to the fact that outstanding works of scholarship are historical as well as a scientific artefacts. They always repay revisiting. Our understanding of new venture creation should be both cumulative and fluid. The first task of a *Handbook of New Venture Creation Research* is to say 'handle with care'. The best challenges to established ideas come from those with the deepest respect for the thinking that created them.

## Theoretical Perspectives

In *Gender and New Venture Creation*, Siri Terjesen, Amanda Elam and Candida Brush provide an overview of the state of the field with respect to female entrepreneurship research including extant literature reviews on female entrepreneurship and an assessment of progress. They replicate Brush's (1992) review of entrepreneurship research, using an updated set of articles published from 1993-2008. They examine classification type, stated theory base, methodology, and statistical analysis techniques and conclude with suggestions for promising directions for the future including new theories, new data, new methodologies and a focus on pragmatic issues.

In *Transgressive Knowledge Creation in Entrepreneurship*, Deborah Blackman and Miguel Imas suggest alternative ways of addressing questions which can engender more imaginative interpretations about researching new venture creation. Discussion focuses, not upon what entrepreneurship and new venture creation are or are not, but upon how knowledge is created. They show how dialogue utilised to generate interpretations of actions and behaviours, may limit the potential for alternative explanations. The authors posit that the concept of *transgression* could be adopted to break many currently accepted boundaries and mental models found within venture creation research. Different epistemological foundations are considered to explore how they might lead to changed outcomes in research and how different methodologies will favour some venture creation forms and not others. The authors challenge NVC researchers to construct new venture creation research under a dynamic dialogical understanding of knowledge creation. This approach, they argue, will allow for 'unique' configurations that cannot be explained in terms of a predictable replicable, mechanical, a-contextual processes. New venture creation can only be understood as a process of creation within the context of encompassing events. The authors conclude by proposing an increased focus upon social constructivism, postmodernism and complexity theory, combined with a greater awareness of scepticism and pragmatism and the importance of 'wholes'. These are themes that resonate strongly with subsequent authors – particularly Mulej and Rebernik. Many entrepreneurship scholars and new venture creation researchers are massively overconditioned and

have become creatures of research habit. Whether we agree with some of their more radical prescriptions or not, Blackman and Imas alert us to the dangers of treading only where we have gone before and the exciting potentials of paths not yet explored.

In his chapter, John Legge asks the question: *What does the economic literature contribute to understanding new venture creation?* He concludes that the mainstream economics literature has relatively little to say about new venture formation, and what it does say has little resonance with reality as experienced by entrepreneurs and those who study the entrepreneurial process. While some economics writing touches on isolated aspects of the new venture creation process none that he has discovered attempts comprehensive coverage of all the critical aspects. He goes on to show that it is possible to construct an economically stylised new venture creation process.

Matjaž Mulej and Miroslav Rebernik offer a refreshing and challenging approach to the way we might think about new venture creation: *Modeling the innovative new venturing process in terms of dialectic system thinking*. They argue that creating a new venture can be considered a type of the invention-innovation-diffusion process resulting in innovation, if it transforms an invention into a new benefit for its users, authors, and owners. New ventures succeed in a similarly small percentage as other innovative attempts do. They explain the challenging concept of 'requisite holism'. Derived from systems thinking, it is the idea that a holistic approach to new venturing (or, indeed, any activity) need not be so overwhelming a task as to become impossible for all practical purposes. It is possible to embrace the spirit of realistic holism rather than debilitating reductionism through the notion of what is 'requisite' for a given problem. One does not and could never consider everything that acts on a situation but one can and ought to address a wide range of issues that are demonstrably germane – and not just assume away complexity by considering only an artificially reduced set of variables. Mulej and Rebernik argue that requisitely holistic behaviour can provide a better basis for new venture success than the one-sidedness of specialists, who are inflexible and too narrow to succeed without interdisciplinary creative co-operation. Of course, this capability is difficult for many specialists to attain. While other variants of systems theory are helpful about other problems, they argue that Mulej's Dialectical Systems Theory has, in 35 years of development and application, proved to offer a helpful conceptual and practical approach to modelling the innovative new venturing process and a potent antidote to the poison of taking too narrow an approach to such a complex activity.

In their chapter *Social Networks and New Venture Creation: The Dark side of Networks*, Klyver, Evald and Hindle are trying to re-direct future research on entrepreneurial networks to include not only the positive and optimistic perspective on how social networks enhance new venture creation but also the constraining mechanisms that social networks may impose. Based on a critical review of prior studies on entrepreneurial networks, they attack many assumptions previously taken-for-granted and develop four new propositions that they argue should be the baseline for future research on entrepreneurial networks: 1) individuals are not only purposeful actors; 2) part of the network is derived from the past; 3) relationships are diffuse; and 4) different spheres in life are mixed together.

Alain Fayolle, Olivier Basse and Erno Tornikoski's *Entrepreneurial Commitment and New Venture Creation: A Conceptual Exploration* constitutes a significant introduction to better understanding of the phenomenon of *commitment* to the new venture creation process. They review the principal psycho-social theories of commitment, starting with an analysis of the concepts and theories developed in the fields of both social and cognitive psychology. They then examine the notion of

commitment within the field of entrepreneurship by analysing the most prominent works devoted to the subject and scrutinising two empirical cases. They employ psycho-social approaches to analyse the cases and, through the light of their findings, propose two perspectives to better understand the formation and persistence of entrepreneurial commitment before presenting the initial elements of a potential model of the phenomenon.

## Data and Measurement

Phillip Kim and Howard Aldrich's chapter, *Are we yet there? Measurement challenges in studying new ventures*, directly confronts the difficulties scholars face when they attempt to accurately explain and measure new venture outcomes. Given the non-linear and multi-dimensional aspects of organizing new ventures, this is not surprising. And yet, new venture research often uses single indicators or relies on founders' perceptions regarding their status. Because theoretical explanations suggest that venture creation is a process, Kim and Aldrich propose that future research should strive to integrate multi-dimensional measurement models that reflect the complexity of the founding process. They show that such models would enable scholars to move beyond linear-based founding explanations and accommodate learning and other feedback mechanisms.

In an important challenge to broadly and wrongly held received wisdom, Johnathan Levie and Gavin Don review the literature on perceptions and measures of new business mortality, and note wide and persistent gaps between perceptions and measures. Official statistics suggest that survival rates of new businesses in advanced economies tend to be around 80 percent after one year and around 50 percent after five years. Failure rates appear to be around half to a third of the inverse of the survival rate, depending on how failure is defined. A survey of estimates on the world wide web found the most quoted failure rate was 50 percent after one year. Explanations for this gap between perception and official statistics include the way firm births are measured, vested interests, and misleading referencing. Using the UK as an example, Levie and Don estimate that nascent entrepreneurship rates could be increased by a third if people knew the true failure rate for new businesses.

Davidsson, Steffens and Gordon's chapter *Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE): Design, Data Collection and Descriptive Results* is a detailed description of an ongoing research program aiming to uncover factors that initiate, hinder and facilitate the process of emergence of new economic activities and organizations. CAUSEE is a longitudinal panel study of new economic activities that follows the design logic developed in the program, Panel Studies of Entrepreneurial Dynamics (PSED). In this chapter, the authors explain carefully how CAUSEE distinguishes itself from forerunners such as the PSED, before they elaborate on the research design, the data collection regime and present some interesting descriptive results.

## NVC Through Contextual Lenses

Addressing the importance of context to entrepreneurial process stressed in previous chapters by both Blackman and Imas and Mulej and Rebernik, the concluding group of chapters explores aspects of the contextual dependency of new venture creation. Our authors demonstrate that new venture creation involves different meanings and values to people embedded in different contexts and plays different roles dependent upon these contexts.

In *Cultural context as a moderator of private entrepreneurship investment behaviour* Fredric Kropp, Noel Lindsay and Gary Hancock examine the effects of national culture on the investment decisions of three different groups of private equity investors: venture capitalists (VCs), business angels (BAs) and relation-based investors (friends and families). They argue that national culture will influence the decision to invest in entrepreneurial business ventures in different ways for each of the three private equity investor groups. VCs are professional investors and have a professional culture that transcends and minimizes some of the differences in national culture. In contrast, relation-based investors, many of whom invest altruistically on an ad hoc basis in family or friends' businesses are most affected by national culture. The investment decision for friends and family is a function of the strength and distance of the relationship, perceived needs and alternatives for the entrepreneur, and a sense of obligation. The authors propose that the effects of national culture on business advisers' investor decision making will lie somewhere between VC and relation-based investor decision making depending on the business advisers' investment experience levels.

Malin Brännback, Alan Carsrud and Jerry Katz investigate *Perceptual differences and perceptual problems in providing government support for entrepreneurship*. Government economic development programs making investments in existing or potential businesses face several problems. This chapter addresses the perceptions of entrepreneurship by various players in society and discusses a particular problem – when public policies are based on bureaucratic perceptions very different from and in potential conflict with those of the entrepreneur. The problem is explained using three factors: prospect theory driven political needs, investment timing decisions, and perceptual differences between entrepreneurs and policy-makers. Examples are drawn from several famous instances of economic development decision making in Finland and the United States. Based on this analysis, the authors provide suggestions on how to improve future economic decision-making efforts that affect entrepreneurs.

In *Entrepreneurship Education and New Venture Creation: A Comprehensive Approach*, Torben Bager elaborates on the role of university education for new venture creation. University education in entrepreneurship and new venture creation is increasingly seen as a foundation for more knowledge-intensive start-ups and more high-end innovation in existing firms. Although this is a dominant line of thinking among policy makers, it is generally not embraced by educators and educational institutions and often meets substantial resistance. Some of the resistance arises from difficulties in aligning these practical teaching approaches promoted by policy makers with fundamental university principles and the way academia understands itself. Bager elaborates on the components of comprehensive entrepreneurship education at university level as a means of paving the way toward 'the entrepreneurial university'.

Adopting an administrator's perspective, Patti Green provides deep-seated insight into *managing NVC research in an institutional context*. She uses the context of Babson College to explore institutional connections between new venture creation research and teaching by providing a review of Babson's history and programs, a short consideration of the growth and scope of the field of entrepreneurship and the context of the educational system. She applies Béchard and Grégoire's pedagogical innovation framework to explore the teaching model, considering both the ontological assumptions supporting Babson's work in entrepreneurship and the operational elements with characterize the school. Research is explored from the perspective of both relevance and rigor and the blend of teaching and research is presented as a pedagogical innovation. The paper concludes

with a summary of lessons learned relating to research on new venture creation, specifically those concerning faculty recruitment and the balance between theory and practice.

In *Creative artists and entrepreneurship* Jon Sundbo poses two principal questions: What is artistic entrepreneurship? Which specific problems are associated with artistic entrepreneurship? He concludes that artistic creativity is a good precondition for entrepreneurship understood as new venture creation, however it is not sufficient. Artistic creativity and entrepreneurship are not the same phenomenon. To exploit the entrepreneurship potential latent in artistic endeavor may require an efforts in which the often solitary artist has to engage in plural activities with a wide range of other people offering a wide variety of supporting roles. In particular, an artist of today could benefit from association with a 'modern Maecenas' capable of providing patronage or from 'arts incubators'. Many artists demonstrate a range of entrepreneurial potentials, particularly marketing possibilities that may arise via exposure of interesting aspects of their personality. Artistic entrepreneurs face some highly particular problems centred on the difficulty of procuring the finances for business projects and severe impediments to the growth of their enterprise So, they can definitely benefit professionally from courses aimed at teaching them 'artistic entrepreneurship'..

In the book's concluding essay Fredericke Welter and David Smallbone explore the distinctive features of post Soviet entrepreneurship, associated with the historical legacy inherited by entrepreneurs in the post-socialist period and the transformation path followed by countries, which until less than 20 years ago were operating under socialism and the rules of central planning. While sharing many common features with venture creation imperatives in other environments, post-socialist countries exhibit some key differences. These arise from the precise nature and impact of the historical legacy, as well as the economic and institutional development path followed during the transformation period. Such differences give rise to many implications concerning the nature of entrepreneurship in a post-socialist context. A key theme emerging from Welter and Smallbone's examination concerns the institutional embeddedness of post-socialist entrepreneurship. This refers to both the embeddedness of entrepreneurship in legal and regulatory contexts as well as in society and is reflected by the impact of socialist legacy and societal attitudes toward entrepreneurship on entrepreneurial behaviour during transition.

## **Is there a synthesis? Do we need one?**

The chapters in this book demonstrate that new venture creation research currently embraces a wide range of disciplines, perspectives and methodological approaches. This handbook leaves open the question of whether the field could benefit by a refined synthesis of approaches and methods or would be better left as an area characterized more by variety than conformity.

It was not our ambition as editors to promote any commonly agreed synthesis. We opened a forum where a wide diversity of approaches and opinions were encouraged to engage in a vigorously eclectic debate. This is very much in line with Gartner's (2001) comparison of entrepreneurship research with the 'Blind man and the Elephant' story.

This handbook presents no solutions but it could well be a catalyst. We hope the challenging contributions presented between these covers will enhance readers' interest in conducting original new venture creation research, in a manner that is fully alert to the stimulating possibilities of performing collaborative work with scholars who possess different theoretical perspectives, come

from different disciplines and apply different methods. The horizon for future work is both wide and alluring.

### **References**

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