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SUMMARY

STRATEGY FORMATION OF ENTREPRENEURIAL TEAMS: A LONGITUDINAL STUDY IN NASCENT VENTURES

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Principal Topic

Explanations for how entrepreneurs deal with uncertainty and develop their strategies can be found in two streams of literature: the entrepreneurial strategy literature and the entrepreneurial cognition literature. Recent research in these fields suggests that focusing on the individual level of the nascent entrepreneur and taking a cognition-based approach might be beneficial for understanding first-time strategy formation. Our study is concerned with one central question concerning first-time formation of a strategic mindset at the individual level. How does a strategic mindset come into existence at early stages of the entrepreneurial process? We analyze whether and how strategic mindsets come into existence focusing on three aspects: the extent of prediction orientation (Wiltbank et al., 2006; Sarasvathy, 2001), the extent to which the entrepreneur focuses on risk limitation as opposed to return maximization, i.e. the risk-return orientation (Sarasvathy et al., 1998; Sarasvathy, 2007; Dew et al., 2008; Sarasvathy, 2003), and the extent of strategic flexibility (Nicholls-Nixon, Cooper, 2000).

Method

We used a web-based questionnaire to collect data on nascent entrepreneurial teams participating one of the four major business-plan competitions in Germany. In total, 262 entrepreneurial teams provided complete information regarding their team pre-founding experience and team composition as well as strategy constructs. Six months later we gathered follow up information regarding the strategy constructs and initial success variables. We used hierarchical regressions and cluster analysis to examine the proposed relationships.

Results and Implications

With respect to the prediction orientation of nascent entrepreneurs, our research highlights prior entrepreneurial expertise and market-related innovativeness as key predictors. We find that expert entrepreneurs prefer a more detailed understanding of decision situations and future scenarios (Wiklund, Shepherd, 2008; Wright, Robbie, 1997). Our results support research on cognition suggesting that expertise in the entrepreneurial domain generates specific mental frameworks and heuristics (Mitchell et al., 2000; Mitchell et al., 2007) which enable founders to avoid premature action (Choi et al., 2008; Cooper et al., 1995).

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