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Proposal for a Professional Development Workshop

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Title: Business Creation Panel Studies: An International Overview

Primary Sponsor: Entrepreneurship (ENT)

Other Potential Sponsors: Organization and Management Theory (OMT)
Research Methods (RM)

Workshop Outline, Participants

Introduction (10 min)	Paul Reynolds George Mason U., US	pauldavidsonreynolds@gmail.com
Country Summaries (15 minutes)		
Australia	Per Davidsson Queensland U of Technology, AU	per.davidsson@qut.edu.au
Canada	Monica Diochon St. Francis Xavier U., CA	mdiochon@stfx.ca
China	Yuli Zhang Nankai U., CN	yulinankai@hotmail.com
Latvia	Vyacheslav Dombrovsky Stockholm School of Economics in Riga, LV	vdombrovsky@sseriga.edu.lv
Netherlands	Marco van Gelderen Massey University, NZ	M.vanGelderen@massey.ac.nz
Norway	Gry Alsos Nordland Research Institute, NO	gry.alsos@nforsk.no
Sweden	Mikael Samuelsson Stockholm School of Economics, SE	Mikael.samuelsson@hhs.se
U. S.	Richard Curtin U. of Michigan, U.S.	curtin@isr.umich.edu
Discussants (15 minutes)		
Entrepreneurship	Andrew Van de Ven U of Minnesota, U.S.	avandev@umn.edu
Organizational Dynamics	Claudia Schoonhoven UC, Irvine, U.S.	kschoonh@uci.edu
Open Discussion (20 minutes)		
Moderator	Paul Reynolds	

Abstract

Understanding the origins of new businesses, the firm creation process, has been dramatically affected by the implementation of longitudinal studies of the start-up process (Davidsson, 2006). A number of projects have been implemented to track the development of new firms, starting with the emergence of a business idea and organization of a start-up team through the implementation of an operational business. The U.S. projects, the first and second Panel Studies of Entrepreneurial Dynamics (PSED I, II), have counterparts in a number of other countries, Australia, Canada, China, Latvia, Netherlands, Norway, and Sweden. These eight projects, implemented over the past decade, are at different stages of development and have been utilized for a wide range of assessments of entrepreneurial and business creation phenomena. Representative from each national team have agreed to provide an overview of their national projects and the major assessments that have been completed. Following commentaries on the contributions of these projects to understanding business creation and unexplored opportunities, there will be an opportunity for an open discussion of future directions for this research paradigm.

Country Summaries

Australia [Per Davidsson]: The Comprehensive Australian Study of Entrepreneurial Dynamics (CAUSEE) is the first PSED-type study to be conducted in Australia – a country which according to GEM has relatively high levels of predominantly opportunity-based new firm formation. Important parts of CAUSEE are harmonized with the PSED2 study in the US, which allows for country comparisons. CAUSEE also includes unique features such as a) the inclusion of both ‘nascent’ and ‘young’ (recently established) firms, which allows for more comparisons to be made; b) the inclusion of judgment based over samples of ‘high potential’ start-ups in both categories so as to learn more about this important category, and c) the inclusion of new measures to capture contemporary, theory-driven themes such as bricolage; effectuation; resource advantages/disadvantages; the type and degree of newness of the venture, and its relatedness to the founders’ experience and resources. The presentation will give an overview of results obtained so far, i.e., through the first two waves (12 months apart) of data collection (Davidsson, et al, 2008a; Davidsson et al, 2008b).

Canada [Monica Diochon]: In accordance with the U.S. PSED I research design; a sample of Canadian nascent entrepreneurs was selected in 2000 and subsequently tracked annually for four years. Our analysis focused on two key gestation unknowns: the proportion of nascent entrepreneurs who completed the process; and the factors contributing to outcome(s). At the one year follow-up, 33 % of respondents reported an operating business while 24 % did so at the fourth year follow-up. In following the sample over time it became readily apparent that if we were to learn more about the factors contributing to start-up success, we needed to concentrate on those who started and *stayed* in business, as start-up status was found to be very volatile through the period of study. Indeed, while a number of factors were found to differentiate nascent entrepreneurs from the rest of the population, these factors were not associated with “success” in starting a business. In focusing on sustainable new ventures, issues of importance concerning the definition and measurement of a new firm were identified. In terms of the factors contributing to success, personal predispositions and the activities undertaken were found to play a key role (Diochon, Menzies, & Gasse, 2005; Menzies, Diochon, Gasse, & Elgie, 2006).

China [Yuli Zhang]: The Chinese Panel Study of Entrepreneurial Dynamics (CPSED) is the first PSED-type study to be conducted in China – a country which has relatively high levels of entrepreneurial activity (Bosma, et al, 2008) and provides a unique context for entrepreneurship research because of its cultural traditions and institutional transition. Based on the PSEDII

(Reynolds and Curtin, 2008) in the US and CAUSEE (Davidsson et al., 2008b) in Australia, CPSED will include gestation activities and other distinct elements. First, the inclusion of both 'nascent' and 'emerging technical (recently founded technical firms)' ventures will allow for more comparisons between different stages of entrepreneurship. Second, the inclusion of new measures to address current theory-driven themes, such as bricolage; effectuation; market entry; self-efficacy; over-confidence; and the innovativeness of entrepreneurial opportunities, will allow for comparisons to the results of CAUSEE and others. More importantly, the inclusion of indigenous measures to capture unique themes, such as informal investment; the characteristics of entrepreneurs' networks; entrepreneurial climate, will anchor PSED research in the context of China. As budget is limited for such a large country, we select Tianjin (located in North China) and Shenzhen (located in South China) as our study areas. The panel study will take place in Tianjin in April while the study in Shenzhen will start next year. The presentation will give an overview of the research design, the adaptation as well as its rationality. If possible, an overview of results obtained through the first wave of data collection in Tianjin will also be presented.

Latvia [Slava Dombrovsky]: The Latvian PSED is adapted from U.S. PSED II design and was commenced in 2006 (Baltrusaityte, Sauka, and Welter, in press). A professional survey firm identified 400 nascent entrepreneurs and conducted face-to-face interviews. The second wave was of the study completed in the summer of 2008, using phone interviews. The presentation will focus on survivorship of nascent businesses in Latvia and investigate how it is affected by the entrepreneurs' human capital and access to finance. Two novel features of the Latvian PSED are an attempt to measure entrepreneurs' knowledge of the tax system and access to financing from the banks. I will also investigate the extent to which these measures are correlated with entrepreneurial success.

Netherlands [Marco Van Gelderen]: The Dutch study on nascent entrepreneurship was based on the U.S. PSED I design, but differed in significant ways. It was not run by a university, but by a research firm as a commercial assignment from the Ministry of Economic Affairs (Van Gelderen, Thurik and Bosma, 2006). Screening a random sample of adults identified 527 nascent entrepreneurs, of whom 414 were tracked in follow up phone interviews over a three year period. Whereas the sample size and number of follow ups were comparable to the PSED, the number of variables assessed was far fewer. About 10% of the PSED measures were used. In addition, half of the questions were directly commissioned by the Ministry. A main finding of the Dutch study is that most quitters did so because they eventually concluded that the market was too risky or offered insufficient demand. They usually did not quit for policy relevant reasons such as regulations or lack of finance, or in fact any other type of problem encountered.

Norway [Gry Alsos]: The Norwegian PSED survey was initiated in 1996. MMI (later Synnovate MMI, www.synnovate.no), a professional survey institute in Norway was engaged to interview a sample of 10000 Norwegian adults. The data collection was part of MMI's so called "CATI-bus" telephone survey. Each week the CATI-bus survey interviewed 1,000 persons who were at least 15 years old. The sample was stratified by county, and within each county, households were selected randomly. The data was collected over a 10-week period early in 1996. To be consistent with previous research respondents less than 18 years of age were excluded, reducing the screening sample to 9,533 adults. Respondents to the survey were asked if they, alone or with others, were currently trying to start a new business. In addition, they were asked if they had started a business within the last year. In the survey, 205 respondents currently trying to start a new business, and an additional 117 respondents stated that they had started a business during the last year. These respondents were asked to state their names and telephone numbers. Of the 322 who were asked to submit contact information, 67 refused to participate in any further interviews, while 255 submitted the information requested. Graduate master students were engaged to carry

out the follow-up interviews. Follow-up data concerning the venture progress and business gestation events and activities were subsequently collected from 203 entrepreneurs in 1996, 188 in 1997, and 145 in 1999 (Alsos & Kolvereid, 1998; Alsos & Ljunggren, 1998; Rotefoss & Kolvereid, 2005).

Sweden [Mikael Samuelsson]: The Swedish version of the PSED I (Panel Study of Entrepreneurial Dynamics) is a longitudinal effort with the same aim as the US counterpart: 1) to provide population estimates for business start-ups and 2) to systematically follow a large number of ventures during the nascent start-up process and beyond (Delmar and Davidsson, 2000).. At this stage, we conclude that our research project is unique; we follow a random sample of business start-ups from conception across time from 1998 to 2005. We are currently seeking funds to do an 11-year follow up. Data comes from two samples consisting of 49,979 individuals in Sweden during 1998. The first sample consists of individuals aged between 16-70 years and the second sample consists of individuals aged between 25-44 years. Our final sample consisted of 622 individuals split into two groups: 203 venture initiatives that were not owned by a physical person, or considered as nascent intrapreneurs i.e., venture initiatives started inside an established organization and one group consisting of 419 independent nascent entrepreneurs. Response rates for eligible cases in the successive waves were 90.5% (6 months), 91.9% (12 months), 87.2% (24 months), 98.5% (18 months), and 86% (6 years - 230 respondents out of 267 eligible respondents). After six years we can see the following results: survival rates 24%, 60% of the ventures has less than \$ 100,000 in annual turn over, median profit \$ 12,000, 19% show a yearly profit, median sales is \$ 60,000. The Swedish PSED team used a range of advanced statistical tools in order to explain events, progress, and growth.

United States [Richard Curtin]: The U.S. Panel Study of Entrepreneurial Dynamics [PSED] research program consists of two projects. PSED I involved screening of 62 thousand adults was completed from 1998 through 2000 to locate 830 nascent entrepreneurs that completed a 60 minute phone interview and 12 page mail questionnaire; three follow-ups were completed over the next 40 months. A comparison group of 431 was selected from screening 5 thousand and completed initial detailed interviews. PSED II involved screening of 32 thousand to locate 1,214 nascent entrepreneurs that have completed a single 60 minute phone interview in each of four waves of data collect, initial and three follow-up interviews 12 months apart. Both projects reflected in the substantial inputs from the 120 person Entrepreneurial Research Consortium that initiated PSED I (Gartner, et al. 2004) and the 16 person advisory committee developed for PSED II. A substantial amount of analysis has been completed with these publically available data sets (www.psed.isr.umich.edu) including nine books and monographs, 13 dissertations and theses, over 50 peer review journal articles, eight book chapters and over five dozen conference presentations. Most analyses have emphasized entry into the entrepreneurial process and activities pursued during the business creation process. Analysis of those factors affecting the transition from nascent enterprise to a profitable new firm are now receiving more attention and the full multi-wave data sets become available (Reynolds, 2007; Reynolds and Curtin, 2008, 2009). The presentation will summarize some of the major findings and critical theoretical issues.

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