
**Nascent Entrepreneurship:
Empirical Studies and
Developments**

Nascent Entrepreneurship: Empirical Studies and Developments

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Introduction

This article reviews the extant empirical literature on ‘nascent entrepreneurship’, takes stock of its findings as well as theoretical and methodological developments, and concludes by developing suggestions for future research in this area. This is in the hope that such a review and stock-taking will assist researchers in making the best use of extant data sets on ‘nascent entrepreneurship’ and in designing future studies on this topic.

As far as this author has been able to determine, the term ‘nascent entrepreneur’ first appeared in the research literature in a method orientated conference paper in 1992 [114]. The closely related concept ‘nascent venture’ first appeared in a journal article published the same year [112]. It is, of course, no happenstance that both works are lead authored by Paul Reynolds, who undoubtedly has been the main driving force behind the major, empirical research programs in this area. (cf. [43]). Another important influence that has brought the idea of studying on-going start-ups to empirical realization is Gartner’s (and collaborators’) calls for a re-orientation of entrepreneurship research from characteristics of individuals to *behaviors* in the *process of emergence* ([59], [60]; [61]; [83]). Other influential scholars’ early emphasis on the *process* nature of new venture creation are additional but more

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indirect sources of inspiration that have helped giving shape to this branch of research ([15]; [31]; [138]; [141]).

The key ideas behind the empirical study of ‘nascent entrepreneurs’ – or ‘firms in gestation’ – are the following: First, the research aims to identify a statistically representative sample of on-going venture start-up efforts. Second, in some projects, these start-up efforts are subsequently followed over time through repeated waves of data collection so that insights can be gained also into process issues and determinants of outcomes. This research approach is a central development in entrepreneurship research, and, arguably, one of the greatest contributions this line of research can make to social science in general. This is so for the following reasons:

- (1) The approach aims to overcome the *under-coverage of the smallest and youngest entities* and the *non-comparability* across countries that typically signify available business data bases from statistical organizations. Overcoming under coverage and non-comparability allows describing and comparing the prevalence of entrepreneurial activity in different economies. The more comprehensive studies of nascent entrepreneurs also aim to overcome the *lack of data* on many interesting variables that also restrict the usefulness of ‘secondary’ data sets.
- (2) The approach also aims to overcome the *selection bias* resulting from including only start-up efforts that actually resulted in up-and-running businesses. This is achieved by screening a very large, probabilistic sample of households or individuals in order to identify those who are currently involved in an on-going start-up effort. The potential criticality of this is demonstrated by the fact that studying only those processes that result in successfully established firms is equivalent to studying gambling by exclusively investigating winners.¹

¹ From such a study one would, among other things, conclude that (a) gambling is profitable (for the gamblers); (b) the more you bet, the more you win; and (c) the higher risks you take (i.e., the more unlikely winners you pick), the more you win. While true for winners these conclusions are, of course, blatantly false for the population of gamblers (cf. the population of start-up attempts) ([38], [42]).

- (3) The approach further aims to overcome *hindsight bias* and *memory decay* resulting from asking survey questions about the start-up process retrospectively, and to get the *temporal order of measurement* right for causal analysis.

The first of these points is a main rationale for the repeated cross-sectional surveys in the *Global Entrepreneurship Monitor* studies (GEM) (e.g., [106]; [107]; [108]; [109]; [110]; [111]) while the third point is a key reason for carrying out the US-based *Panel Study of Entrepreneurial Dynamics* (PSED) ([64]; [105]) and its likewise longitudinal counterpart studies in various other countries, each of which has followed several hundred start-up efforts over 12 to 72 months. The second point above is, arguably, of central interest for both types of effort.

The purpose of this paper is to take stock of the developments of ‘nascent entrepreneur’ – or ‘firm gestation’ – research so far, and to suggest directions for future research efforts along those lines. For this purpose, over 75 journal articles, book chapters, conference papers and research reports from the PSED; its international counterpart studies; scholarly articles based on the GEM data, and a number of reports from the Danish and German extensions of the GEM were reviewed by the author. With regards to scholarly work based on these data sets the intention has been to be as complete as possible². To a lesser extent reference will be made to policy reports and to other empirical work on organizational emergence, which has been conducted outside of these major research programs. The review generated 135 citations-supported claims concerning NE research results to date in the first draft of this paper. The accuracy of these claims was subsequently cross-checked by a research-trained assistant and instances of possible misrepresentation of the original works were carefully noted. This led the author to revise the original claims in a handful of instances, whereas in a few

² The form of publication has not been heavily weighted in this review. This is because (a) much of this research is still on-going and many manuscripts have as yet not reached their ‘final destination’, and (b) the pressure and/or inclination to take one’s findings to (prestigious) journal outlets is much lesser in many countries outside the US, so it is a false inference to assume that all high quality work will appear in (prestigious) journals and that all work that does not is of questionable quality. As regards doctoral dissertations these are considered published and finalised works (with ISBN etc.) in Sweden and several other countries.

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additional cases the original claims were retained after the author re-checked their accordance with the sources.

To a certain extent the author's assessment of this field of research builds also on his direct involvement as member of the Executive Committee of the *Entrepreneurship Research Consortium* (ERC) – the body that designed and initially funded PSED in the US – and as one of the principal designers and investigators of the Swedish counterpart study. While both PSED and GEM have collected data also on *nascent intrapreneurs* – those currently involved in venture start-up activities as a job assignment for an employer – the review will focus exclusively on nascent entrepreneurs, unless the research concerns comparison of the two groups or lumps them together as one category.

The review will proceed as follows. First, the thrust of the findings will be reported for the following broad areas of research topics: *Person factors leading to nascent entrepreneur status; The discovery process; The exploitation process; Some particular themes (Teams; Gender; Ethnicity, and Growth aspirations)*, and *The bigger picture* (i.e., aggregate level antecedents and effects of nascent entrepreneurship). The review will then turn to the issue of *Developments so far* – mostly in terms of increasing theoretical and methodological sophistication. Finally, *Further development needs* will be thoroughly discussed, and a considerable set of specific propositions will be made regarding improvements that can be made in future research efforts within this general research approach. Although the research potential of the current PSED and GEM data sets has been far from exhausted at this point, and while some recommendations can be fruitfully applied to analysis of extant data, they are largely written with entirely new empirical projects in mind.³

³ For example, at the time of this writing a US-based 'PSED II' is under development and in Australia an application for a comprehensive, PSED-like research program has just been approved.

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