



ELSEVIER

Contents lists available at [ScienceDirect](http://www.sciencedirect.com)

Journal of Business Venturing Insights

journal homepage: www.elsevier.com/locate/jbvi

A response to Honig and Samuelsson (2014)



Frédéric Delmar

Sten K. Johnson Centre for Entrepreneurship, School of Economics and Management, Lund University, P.O. Box 7080, S-220 07 Lund, Sweden

ARTICLE INFO

Article history:

Received 26 November 2014

Accepted 28 November 2014

Available online 24 February 2015

Keywords:

Business planning

Nascent entrepreneurship

Longitudinal data

Cohort design

ABSTRACT

Honig and Samuelsson (2014) recently published an article in this outlet criticizing “Does business planning facilitate the development of new ventures? “a paper I wrote with Scott Shane nearly 15 years ago. They claim that their effort adds to the discussion of (a) the merits of business planning, (b) data replication and extension, (c) sample selection bias, (d) evaluation of normative research and (e) publication standards. However, most of the claims they make are incorrect.

© 2015 Elsevier Inc. All rights reserved.

1. Introduction: the importance of replication to scientific discovery

As part of an article in JBVi that discussed the importance of data replication and extension Honig and Samuelsson (2014) criticized the methodology in a paper I published on business planning in nascent ventures with Scott Shane in 2003 (Delmar and Shane, 2003). Honig and Samuelsson's (2014) work is based on the partial replication and extension of two papers (Delmar and Shane, 2003; Honig and Karlsson, 2004) that reached opposite conclusions on the merits of business planning while both using the Swedish Panel Study of Entrepreneurial Dynamics (PSED). In this article, I seek to stimulate the discussion about testing theory using data from prevalent cohort design by highlighting some of Honig and Samuelsson's (2014) misunderstanding of several key dimensions of such designs. I also discuss the methodological choices that Delmar and Shane (2003) made 15 years ago and how those choices influenced our research results.¹

The PSED is a prevalent or cross-sectional cohort design. Respondents are identified through a range of questions that ensure they are in the process of starting a new venture. The first wave of interviews is therefore a cross-sectional sample of people who are in the process of starting a business. These respondents are then followed and sampled repeatedly over time.

This design is different from an incident cohort design, for which respondents and units are identified when they experience their first critical milestone or conception time. From that point on, units are followed over time or until they reach a terminal outcome (e.g., venture termination). Drawing accurate inference from a prevalent cohort design depends on the correct approach to analyzing such data.

E-mail address: frederic.delmar@fek.lu.se

¹ The data and the code book used in the D&S paper have been available for some time of my Research Gate account (https://www.researchgate.net/publication/266630741_Swedish_PSED_Final_Data_1998) and (https://www.researchgate.net/publication/262796537_Coding_manual_for_Swedish_PSED_final_data).

2. Dealing with left censoring

Honig and Samuelsson (2014) criticized that we did not use the full sample of cases. A problem with a prevalent cohort design is that the cases sampled began the process of starting a new venture at different points in time. As a result, a prevalent cohort design likely oversamples cases that are in the start-up process for a longer period of time. For example, if we sample start-ups in 1998, we mix ventures that have been in the process of starting up for two months with ventures that have been in the process of starting up for many years. The sampling procedure misses cases for which the venture start-up process was so rapid that the ventures have either become established businesses or been terminated. The exclusion of short-in-process cases is known as *full left-censoring* (Blossfeld and Rohwer, 1995).

The PSED sampling procedure therefore generates a biased sample of cases. That bias might influence results of studies examining those cases if not dealt with statistically. In the case of business planning, the biased sample could influence results either because business planning permits fast failure or rapid establishment or because more complex businesses need to plan more or cannot spend as much time on other organizing activities. The point is that the causal mechanisms governing long-in-process may be quite different from those governing short-in-process. You may identify risk factors that are associated with the duration of the process rather than causal factors. In fact, favorable factors that tend to prolong the process time may be misinterpreted as causal factors to outcomes of interest.

To mitigate the problem of left censoring, Delmar and Shane (2003) retained only ventures started in the first nine months of 1998 (a period concurrent with the first wave of interviews). As our milestone or conception point, we chose when respondents say that they committed to the specific venture based on this question “What year did the work of starting your business begin?” in the phone interview. This procedure allowed us to construct a sample similar to an incident cohort with a clear and theoretically relevant time point of conception: the commitment to this particular venture.

3. Dealing with left truncation

Honig and Samuelsson (2014) pointed out that Delmar and Shane (2003) threw out too many cases and that we did not make full use of the data, because we did not time code organizational activities happening before our conception point. They find that many ventures had actually initiated a number of activities before we start our process clock, and therefore that our causal claims may be invalid, especially when it comes to our dependent variable organizational activities. Yang and Aldrich (2012) made a similar argument proposing that Delmar and Shane (2003) were too conservative by excluding too many cases and thereby increasing the risk of not finding significant coefficients.

PSED suffer left censoring but provides left truncated data. Left truncation is closely related to left censoring. Left truncation happens when a number of prevalence cases are sampled and the researcher adds additional retrospective information about the time of entry and the process. Researchers can then reconstruct the whole process. Statistical analysis dealing correctly with left truncated data allows the researchers to correct for some of the biases introduced by missing fully left-censored cases (cases short in process). Two assumptions need to be made for these statistical analyses to be valid. First, respondents need to be able to recall when milestones happened, thereby providing researchers with precise data on timing. Second, cases short-in-process are similar to cases long-in-process (Applebaum et al., 2011; Guo, 1992).

As stated earlier, Delmar and Shane (2003) used commitment to the specific venture as the conception point at which we started the process clock. This obviously limited the sample size as many nascent entrepreneurs long-in-process were not included. That is, we decided to only use 223 cases, because the other cases did not fulfill our criteria (too long-in-process). We coded all activities that happened before commitment as initiated at the time of the first month of conception. In table 1 (p.1176), Delmar and Shane (2003) presented the details per wave instead. At wave 1, the ventures had initiated on average 1.6 activities (s.d. 1.4). We did not code for how many months previous our commitment the activities had been initiated. The logic of the process clock guided that particular decision: the entrepreneurs had not yet committed to a particular venture.

Nevertheless, the inefficient approach used by Delmar and Shane (2003) is better than the alternative of not dealing with left censoring at all, especially when the researchers have strong beliefs that respondents might not recall activities and that cases short in process might be different from cases long in process.

4. Dealing with right censoring and time-varying covariates

Delmar and Shane (2003) used event history analysis with time-varying covariates to incorporate information about the timing of the activities into the prediction of new venture disbanding and to control for right censoring. Honig and Karlsson (2004) used the interview waves of the PSED data. Honig and Samuelsson (2014) used cross-sectional data (five and 10 years). Their analysis did not take into account timing of activities and right censoring included in Delmar and Shane (2003).

The PSED provides *time-varying covariates*, that is, information about the timing of various venture organizing activities and outcomes. Having this information allows for more precise estimation of the effects of different organizing activities, such as business planning on new venture performance by allowing researchers to incorporate information about the timing

Download English Version:

<https://daneshyari.com/en/article/1019931>

Download Persian Version:

<https://daneshyari.com/article/1019931>

[Daneshyari.com](https://daneshyari.com)