MODELS OF START-UP THINKING AND ACTION: THEORETICAL, EMPIRICAL AND PEDAGOGICAL APPROACHES

ADVANCES IN ENTREPRENEURSHIP, FIRM EMERGENCE AND GROWTH

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INTRODUCTION

The technology for improving the start-up process has a relatively long history in entrepreneurship, but has arguably entered a period of explosive growth in the past five years or so. Capturing the historic and nascent approaches has been the goal of this volume in the *Advances in Entrepreneurship, Firm Emergence and Growth* series.

Realize that in the past 5–10 years we have seen the emergence of multiple new technologies focused on the startup process – customer development methodologies, lean startup techniques, online pilot testing, bricolage and effectuation approaches, design-based approaches, business model canvases as well as a plethora of new business models themselves, pitch decks, data rooms, co-working spaces, and accelerators, to name a few. It is safe to say there have never been so many ways to help people think about and go about starting new businesses.

The new approaches have also injected a renewed vibrancy in entrepreneurship, driven in part by the promise of the new technologies, and by the admonitions of the proponents of these new approaches. There is tremendous promise in so many of the new approaches, but as new approaches, technique is far in advance of efficacy data about these approaches. This is an inherent truth of education – technique and face validity checks of effect always come first, with painstaking assessment taking years to formulate, implement, and evaluate. Rigorous evaluations of business plans are a phenomenon of the past 15 years, although as we'll see, it has been around a lot longer.

The call for this volume was intended as an effort to get individuals and institutions who saw themselves as proponents of established and emerging startup technologies to bring their theoretical and empirical works to a broader audience. We believe the entrepreneurship education and research community wants to think about what techniques work best, and when and where and why they do so. We expressly wrote the call to capture both traditional and new startup technologies, because we see the value of all, and recognize the impact of history and institutionalization on traditional technologies, and see how they will likely have an impact on today's newest ideas, as they too become the new institutional standards.

HISTORY AND INSTITUTIONALIZATION

Despite the ubiquity of the business plan, and the impression it has been around forever, it came into its own on the eve of the entrepreneurial revolution initiated by Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom in 1981. At that point Bangs and Osgood's (1976) how-to book on business planning was only five years old, and textbooks of the period were only beginning their coverage of the business plan as a start-up device.

The 1980s saw business plans become a strong element of entrepreneurship and small business texts, and presumably in courses of the period also. Insofar as this was also a period of rapid growth of the venture capital industry, the creation of business plans, especially in entrepreneurship classes, received strong external validation. As Hofer notes in his contribution to this volume, the first competitions started during this period, often in concert with local venture capitalists.

The 1990s saw a period of explosive growth in the nature of start-up technologies. Business plans became a centerpiece of entrepreneurship programs, with this decade showing the tremendous growth in business plan competitions, as described in the Hofer article. Meanwhile, training in business planning became mainstream, a fixture of Small Business Development Centers, and new training programs. Arguably the watershed program occurred in 1986 with the introduction of the FastTrac programs developed by Richard Buskirk, Courtney Price, and Mack Davis (Buskirk, Price & Davis, 1987). Building on their long experience in collegiate entrepreneurship education (as faculty at USC, which had started their MBA in entrepreneurship in 1972 and their undergrad program in 1981). The lock-step approach they used in their academic program became the basis for the FastTrac programs.

The word programs is important. FastTrac actually introduced the feasibility analysis as a necessary precursor for doing a business plan for a start-up business. The FastTrac programs of today reflect this. FastTrac I is a feasibility analysis. FastTrac II is a business plan. What is worth noting is that the FastTrac I program was intended as a multi-month effort, giving prospective entrepreneurs time to conduct research, including potential customer interviews, surveys and focus groups (Entrepreneurial Education Foundation, 1992/1996). It is worth taking a moment to note that when the feasibility study was a new idea, the goal was to explore the potential of an idea, and do so in as realistic a way as possible, getting into the market, the industry and the community in person to explore the possibilities and challenges. Reading the original FastTrac I books, it is clearly reminiscent of today's clarion call "get out of the building!" (Blank & Dorf, 2012). Concurrent with this, Small Business Development Centers developed a myriad of techniques for evaluating early stage ideas, which were again new to entrepreneurs of the time. The successors to the SBDC approaches are still evident today (Missouri Small Business & Technology Development Centers, 2005), but in general the SBDC's internal approaches were designed and implemented to make fewer requirements on entrepreneurs to go out and interact with potential customers.

FastTrac had a second watershed moment when it was adopted by the Kauffman Foundation as it bellwether program to promote entrepreneurship nationally in 1993. Ewing Marion Kauffman himself presided over the launch in January, signaling the importance of the program in the eyes of the Foundation. The importance no doubt grew because it was one of the last initiatives Mr. Kauffman personally presided over, given his death in August, 1993. FastTrac continues to this day as a major initiative of the Foundation (FastTrac.org), and has continued to develop its basic versions (FastTrac I is now called FastTrac NewVenture) grown to include academic (Planning the Entrepreneurial Venture) and technology (FastTrac TechVenture) versions as well as specialized programs for boomer, female, and veteran entrepreneurs.

FastTrac was designed to be a methodical way to evaluate early stage ideas among peers (fellow aspiring entrepreneurs), expert trainers, and customers, and then take the best of those ideas and build business plans to translate ideas into viable businesses. As that model was increasingly adopted in academia, it was done in piecemeal fashions. Texts that had a full chapter on a business plan might have little or no material on feasibility analysis. This process reflects the classic problem of the diffusion of innovation (Rogers, 1962) where individuals adapt the innovation eclectically. Similarly, faculty through overwork or a lack of belief in the FastTrac model, began to let students do fewer actual customer interviews, and in time let archival research take the place of in-person research with prospective customers.

This trend applied over a long time to a solid model from 20 years in the past, produced an environment at a long remove from what Buskirk, Price and Davis (or their contemporaries) envisioned, wrote and taught. It was that later-date environment that arguably made today's proponents of the new wave of startup technologies so passionate about what had become problematic in startup processes, and what needed to be done to improve the techniques for creating high-quality startups.

That said, the very energy of the new proponents has made many traditionalists look at how the older approaches are practiced, and how they can be improved – many times by better embracing the founding ideas behind the established techniques. Together, those thoughtful reflections on traditional approaches to startup processes and those passionate proponents of contemporary approaches working to establish their first generation of analysis and consideration are represented in the chapters in this volume.

CHAPTERS IN THIS VOLUME

In our thought provoking first chapter outlining a design-science perspective for entrepreneurship, Dimo Dimov examines how the opposing forces of a need for academic legitimacy and practitioner relevance can be better balanced in order to provide more fruitful outputs for scholars and practitioners. He begins by outlining a conundrum of sorts that is based upon the temporal mismatch of starting a venture versus the researcher's study of the process. We as scholars will study the entrepreneur and her start up process but most often do so by looking backward while the entrepreneur herself is forward looking and already blazing a new trail. At a time with widespread use of tools and approaches such as the business model canvas, lean start-up methodology, design thinking, and others, the question arises of how researchers can contribute to a startup process that appears so idiosyncratic and beyond its natural occurrence.

Dimov's work here focuses on the enactment of entrepreneurial purpose, that is, on the reasoning, action, and reflection of the next step. As such, he blends a perspective of action as both a mode of experimentation and a generator of new information with the nature of design as the creation of artifacts towards a purpose. In deriving its focus, the chapter draws together a variety of perspectives that can shed new light on the startup process. Entrepreneurship involves solving multi-faceted problems, but most entrepreneurship scholarship is driven by researcher-centered curiosity that often times does not meet the needs of practicing entrepreneur. Dimov's chapter addresses this concern directly by revisiting the fundamental premises of scholarly inquiry in entrepreneurship and identifying roads not taken. It then sketches out a new logic of inquiry, grounded in design science, and articulates new types of research activities that can help us better understand the startup process.

Our second chapter exemplifies a new type of research activity albeit in a bit different way than Dimov envisions. Reed E. Nelson, Anderson Santana and Matthew S. Wood use insightful theorizing and a unique research setting to investigate how startup thinking, action thinking, and action can effect the more traditional measures of revenue growth, employment growth, GDP, and other financial and economic metrics. Relying upon sociocultural theorizing and the recognition that entrepreneurship evolves from a complex interaction of individuals and their environment, these authors examine how entrepreneurs' startup actions influence culture change and other factors in the local community. They set their study in an exclusive tourist destination (Tiradentes, Brazil) with a unique architectural, cultural, and economic heritage that is undergoing a somewhat stressful reimagination due to differing aspirations from locals and non-natives who have settled there.

The investigation of Nelson and his colleagues reveals that entrepreneurs' backgrounds (native vs. non-native) and social identities come together with the sociocultural fabric of the community in a way that moved each individual toward one of two distinct mindsets. These mindsets had implications for entrepreneurs' conceptualizations of start-up models possible while also influencing the geographic location chosen for their business and different business practices they used. The authors find that entrepreneurs favoring one orientation over another tended to occupy predictable physical and social positions in the community while also espousing similar values and perspectives. Nelson and his co-authors dissect their results to theorize about the link between the external and internal explanations for entrepreneurial thinking and action. The chapter uncovers complex sociocultural interactions between the entrepreneur and the environment that heretofore have gone understudied. As such this chapter brings new understanding to understanding 'entrepreneurs in context' while also providing scholars new research avenues for thinking about how different models of startup thinking and action can be investigated. Our next chapter builds upon this theme by also revealing the importance of context, learning, and other institutional factors upon startup action.

What path should nascent entrepreneurs follow as they attempt to develop their new venture? What actions and activities should they take? Does predictive based strategies work or should would-be entrepreneurs follow a more experiential path? In this chapter, Benson Honig and Christian Hopp analyze the comparative performance of several commonly recommended approaches – from talking to customer and researching the competition, to writing and reworking a business plan. What is perhaps most telling in Honig and Hopp's research is that which actions and activities that a nascent entrepreneur undertakes appears to matter little. This is because the pre-venture activities undertaken by nearly all entrepreneurs are the same; thus, the activities themselves do not robustly link with successful new venture foundation. Instead, the research provided in this chapter shows us that pre-start-up experiences, venture characteristics, and the institutional environment are more important in explaining successful performance than any recommended activities.

The authors show that some entrepreneurs were likely to be attracted to research and planning, as well as experimentation, however, they were not necessarily more effective and efficient at carrying out these routines. Another group of entrepreneurs, in comparison, were more successful when they modified their business model. Honig and Hopp conclude that the ability of an entrepreneurs to learn from his environment, is an important, and perhaps the most critical element of the entrepreneurial journey. They tell us that it is not likely to be the venture organizing activities that entrepreneurs engage in that lead to success, but rather *who* engages in them (skills and other endowments) and perhaps most importantly how they learn.

The implications of this chapter are many but perhaps most importantly that we need to understand when predictive or experimental activities are needed. Grasping these differences is critical in empirically disentangling performance impacts for scholars but also for providing practical advice. In sum, Honig and Hopp' research suggests that developing an adaptive consultative approach that considers personal and cultural characteristics with other circumstances could well increase the chances of helping entrepreneurs through the startup process and toward stability and growth.

The next chapter is a bit orthogonal to Honig and Hopp in that Aparna Katre does seek out specific activities but she does so in a very particular context: solving wicked problems! In her chapter, Katre uses a cognitive foundation to examine the effectiveness of various design thinking-based practices for social value creation. Building from the cognitive tradition, Katre uses a sense-making approach of knowing, thinking, and doing together with structural equation modeling to understand how entrepreneurs attack the 'wicked problems' of today's world. Specifically, she analyzes how nascent social entrepreneurs take action while also investigating what specific activities they undertake to address society's large, complex, interconnected and ambiguous problems.

Katre's work advances our understanding of the applicability of design-based approaches to start up actions by providing measurement for various components while also providing empirical validation of Weick's classic sense-making manager model. Beyond these contributions for scholars, this chapter also has implications for practitioners by highlighting the need for cross-sector partnerships and specific actions necessary to gain micro-commitments from various stakeholders. Katre's work provides an excellent foundation for others scholars to investigate the growing number of wicked problems that today's social entrepreneurs are trying to solve.

A research collection that examines the startup process for entrepreneurs would be remis if it did not speak to the issue of business plans. Today, after four decades of research the community of entrepreneurship researchers, scholar and educators are still divided on the need and usefulness of this, the most archetypal of all entrepreneurship documents. The next two chapters address the issue of business plans and combined bring a new perspective by looking both backward and looking forward.

First, Charles Hofer, one of the pioneers in the field of entrepreneurship and a key contributor to the canon of venture capital research, examines the history and evolution of the business plan and collegiate business plan competitions. His chapter describes how these competitions have evolved over time due to the strong influence of venture capitalists. While Hofer concludes that while the basic purpose of the business plan today is essentially the same, he explores why certain parts of the structure, content, and critical parameters have changed.

Hofer's chapter provides more than just a rich history, however, as he also distills what VCs looks for and how they analyze plans. Specifically, he explores the investment criteria that VCs use and provides the "Seven P's of Venture Capital Funding." From his historical analysis he provides the rubrics and broad rules that most VCs tend to follow as well as information on terms sheets and other decision making processes used by VCs. The chapter also provides a "future look" as Hofer speculates, based on his 25 years of data and experience, what the future business plan will look like. The chapter concludes with details on the structure and content of the business plan of the future. Overall, Hofer's chapter provides practitioners with a keener sense of how business plans have been and will be used. At the same time he gives scholars a solid foundation for future work.

Taking this cue from Hofer, in our next chapter provides insight into the scholarly debate on the use of business plans. Christophe Garonne and Per Davidsson note that most prior work on business plans examined various outcomes against the dichotomous variable of whether someone had developed a business plan or not. For instance, researchers have most often examined whether or not the development and use of a business plan had any discernable impact on growth, sales, or survival rates. However, examining the use of business plans at this level has left us with confounding results. Garonne and Davidsson argue that we need a more finely grained view of business planning and as such, they go down a deeper level and investigate the *degree of formalization* of plans, the *revision* processes of plans, and *types of use* of planning.

From their descriptive analysis, Garrone and Davidsson bring forward a number of stylized facts about business plans including that roughly half of entrepreneurs use them while the other half does not. They also find that plans are constantly revised, that planning wanes over time, but those who do use one use it seriously and find great value in it. Interestingly, the chapter notes that entrepreneurs did not use the business plan as a tool for obtaining funding but saw its greatest value as a tool to help them analyze their business and think through options and opportunities. Beyond these enlightening, stylized facts, Garonne and Davidsson highlight the need for a more accurate operationalization of business planning and finer granularity in the operationalization. In sum, the depth of analysis provided in this chapter gives a portrayal of business planning in nascent and young firms and also serves as an important input to future theory-development and theory testing.

The emphasis in our volume so far has been mostly focused on the needs of researchers and practitioners, but this final chapter by Zhaocheng (Elly) Zeng and Benson Honig turns our attention to the classroom. Their chapter focuses on pedagogy and provides novel insights with regard to how entrepreneurship programs should be designed for students with different levels of entrepreneurship experience. The authors build experiential education models that can be used by educators' depending upon whether they are teaching (1) students without any entrepreneurship experience, (2) students with previous entrepreneurship experience, and (3) students who are currently running their start-ups.

Crafted from Dewey's theories of education together with other pedagogical, human capital, and role theories, Zeng and Honig tease out a systematic set of conceptual models for designing entrepreneurship education. Their findings provide current educators with more options in order to develop better pedagogical foundations. For scholars, the models give a baseline for future investigations across a number of important entrepreneurship education issues.

CONCLUDING THOUGHTS

Entrepreneurship researchers and academics know better than most the passion that drives founders, and this passion is as true for founders of new techniques as it is for founders of new businesses. So it is easy to see parallels between the founders of business plan approaches in the 1970s and 1980s with those of the new approaches of the new millennium. But it is important to note that despite the passion of the founders, those who adopted and adapted the techniques over the years let important parts of the original thinking drift away or become lost. This type of institutionalization is a sad, but common, event. In reality, it is likely that similar processes will begin to nibble away at techniques like lean startups or accelerators, even as both become increasingly popular. The inevitability of such institutionalization processes does not have to portend a steady erosion of all that was right about the new thinking. But what it does remind us all to think about is occasionally sparing time to look back at what the founders said and intended, recognize how our adaptations may have diluted important elements of the original thinking, and ask ourselves and our colleagues what we might do to reinvigorate and reinvent that which was worthy, for that which is tomorrow.

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