

The Entrepreneurial Process

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The entrepreneurial process is understudied

- Early entrepreneurship work on individual characteristics (**WHO**)
- Next was entrepreneurs as “organizational products” (**FROM WHERE**)
- Cutting edge work today accounting for selection into entrepreneurship using administrative data (**UNDER WHAT CONDITIONS**)
- But **WHAT** do entrepreneurs actually do?
 - Messy, idiosyncratic, few datasets (PSED, GEM)

My most recent research is all about different parts of the entrepreneurial process

How do peers influence how much time entrepreneurs spend on different parts of the process?



How do entrepreneurs choose firm names?

T R U M P
THE TRUMP ORGANIZATION

 **HEWLETT®
PACKARD**

The Entrepreneurial Process: Evidence from a Nationally Representative Survey

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How can scholars learn more about the entrepreneurial process?

- Observe them
 - Qualitative work; case studies
 - Difficult to build large datasets
 - Likely sampling on the DV
- Survey them
 - Generally very expensive at scale
 - Sampling frame is challenging
- Our path
 - Lean Startup approach!
 - The Duke Entrepreneurial Process Survey

Overview of DEPS

- Survey on entrepreneurial intentions, process, and execution
- “Nationally representative” via Qualtrics’s vetted marketing panels
 - 30,409 responses over three waves in 2015-2017
 - Quota stratification design
 - Region-by-gender
 - Age
 - Post-stratification (raking) weighting for:
 - Race
 - Household income
 - Employment Status
 - Others
- Cost effective
 - \$4-\$7 an observation/compared to \$40-\$100 for survey organization
 - Funded by Kauffman Foundation and Duke’s I&E Initiative

Key Survey Question I

In the last 5 years (2012-today), did you ever consider starting your own business? If you did start a business, in the last 5 years only, please answer 'Yes'.

Yes

No

Key Survey Question II

Which, if any, of the following steps did you take to pursue the business opportunity?

- Discussed the business idea with a friend, work colleague, or acquaintance
- Searched the Internet or stores to explore whether an existing organization already provided the service or product that your business would produce
- Consulted a friend or acquaintance who was an expert on your target market
- Sought out someone you did not already know who was an expert on your target market and discussed the idea with them
- Explicitly considered how other firms might respond if you launched the business
- Created some sort of document (PowerPoint presentation, executive summary, etc.) to explain the business concept to others
- Built a website for the business
- Created spreadsheets, financial models, or other numerical analysis to determine feasibility
- Wrote a business plan for your proposed business
- Made a sale
- Built a working prototype or provided the service on a pilot basis
- Tested demand for your product or service (i.e. surveys or advertising the business, whether up-and-running or not)
- Collected feedback from customers who used your product
- Used feedback from pilot or demand testing to change business idea
- Explored financing options with a bank, investors, or grant program
- Applied to an incubator/accelerator program or business plan competition
- Registered the business (for a tax ID)
- Approached a lawyer or accountant or researched the legal or tax implications of starting the business
- Explored using patents, copyright, or trademark to protect your business idea
- Hired an employee (non-cofounder)
- Quit your job to work on the proposed business
- None of the above

LEAN

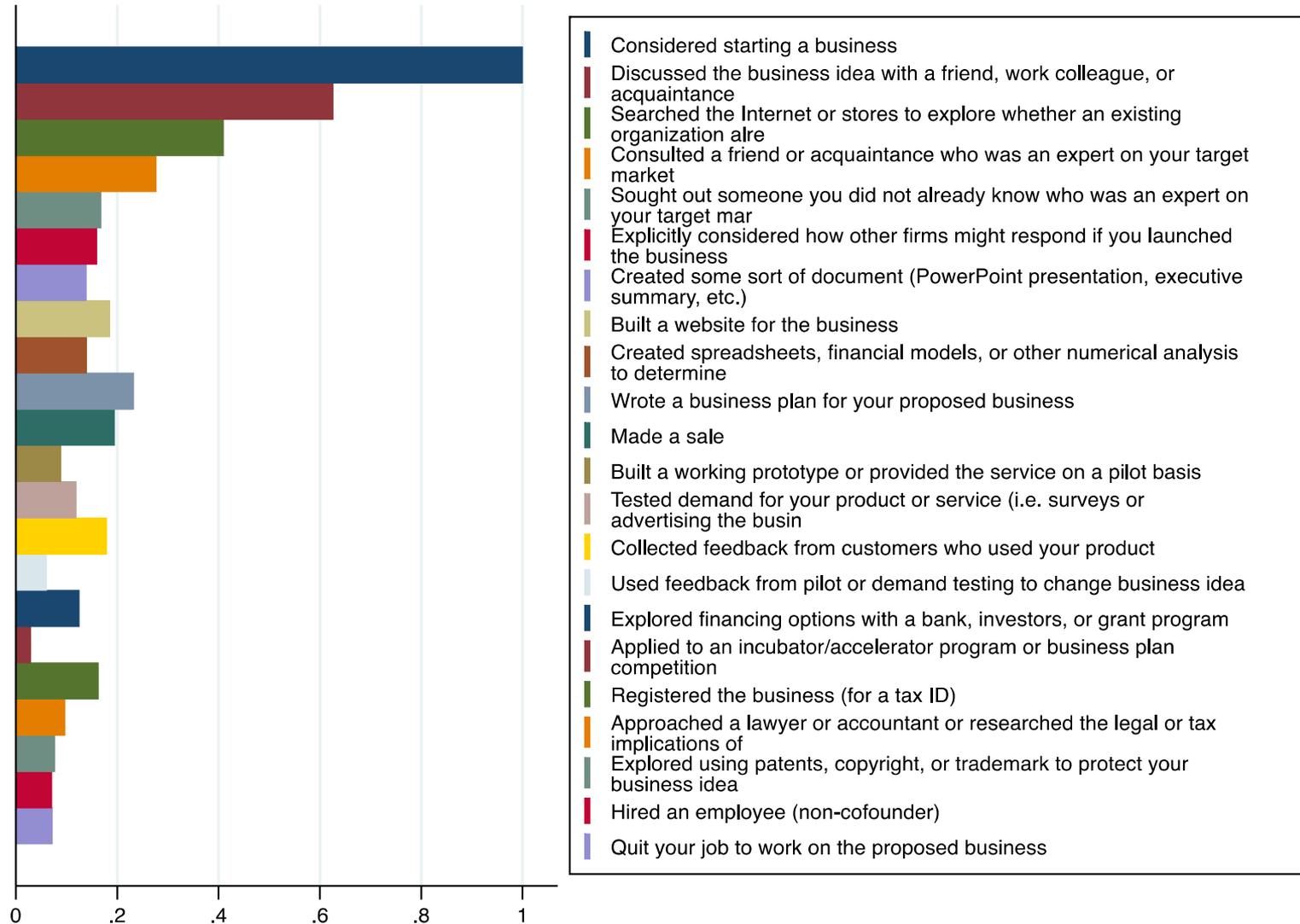
- Built a working prototype or provided the service on a pilot basis
- Tested demand for your product or service (i.e. surveys or advertising the business, whether up-and-running or not)
- Collected feedback from customers who used your product
- Used feedback from pilot or demand testing to change business idea

Lean and Heavy steps are positively correlated

HEAVY

- Created some sort of document (PowerPoint presentation, executive summary, etc.) to explain the business concept to others
- Created spreadsheets, financial models, or other numerical analysis to determine feasibility
- Wrote a business plan for your proposed business
- Approached a lawyer or accountant or researched the legal or tax implications of starting the business
- Explored using patents, copyright, or trademark to protect your business idea

In general, the majority stopped at “inexpensive” steps



Two perspectives on entrepreneurial process

“Economic” view

- Cost-benefit analysis at each step
- Information revelation at each step
- Aspiring entrepreneurs order steps to reveal most information at lowest cost

Result: Most entrants quit the process early because of **new information**

“Psychological” view

- Individuals have trouble achieving their goals and regulating their behavior
- Aspiring entrepreneurs might not know what the next step is or be unable to complete it
- They get stuck on “easy” steps

Result: Most entrants quit the process early because of **execution challenges**

Takeaways so far.....

- Most aspiring entrepreneurs do not get very far in the entrepreneurial process
 - Driven both by new information about their idea and inability to execute
- Lean and heavy steps are not substitutes in our sample
 - Theoretically, we should observe more heavy steps as uncertainty decreases and optimism rises
 - Empirically, optimistic individuals take more lean and heavy steps
- More work to be done on the entrepreneurial process.....

Thank You!

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