

NEW VENTURE CREATION: HOW START-UPS GROW?

CREACIÓN DE NUEVOS EMPRENDIMIENTOS: ¿CÓMO CRECEN LAS *START-UPS*?

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ABSTRACT

Start-ups, often seen as sources of innovation and change, are prone to failure and accordingly they are attracting considerable attention not least from policy makers and Government officials. However, the various new venture creation studies that have emerged since the early 1980s lack cohesiveness, and the domain remains controversial. This article not only exposes the limitations of the existing body of understanding on the topic but attempts to develop a more comprehensive and comprehensible framework for start up (new venture) creation. To do so it uses the frameworks proposed by Whetten, and March and Smith to develop 11 propositions. The resultant model suggests that the creation of a start up involves the identification of an idea or opportunity by an entrepreneur who subsequently organizes a series of activities, mobilizes resources and creates competence using his/her networks in an environment in order to create value. It sheds light on the start-up (new venture) creation process and has relevance for entrepreneurs, policy makers and researchers.

KEYWORDS

New Venture Creation; Start-up; SME; Growth; Ideation; Opportunity.

RESUMEN

Las empresas emergentes (*start-ups*), con frecuencia vistas como fuentes de innovación y cambio, son propensas al fracaso, y en consecuencia, están atrayendo considerable atención especialmente por parte de los legisladores y representantes del gobierno. Sin embargo, los diferentes estudios sobre nuevos emprendimientos que han surgido desde principios de los años ochenta carecen de cohesión y el área de interés continúa siendo controversial. Este artículo no solamente expone las limitaciones de la manera en que se ha comprendido este tema, sino que busca desarrollar un marco más amplio y comprensible para la creación de empresas emergentes (nuevos emprendimientos). Para lograr esto, utiliza bases propuestas por Whette y por March y Smith para desarrollar 11 proposiciones. El modelo resultante sugiere que la creación de *start-ups* involucre la identificación de una idea o una oportunidad por parte del emprendedor, quien posteriormente organiza una serie de actividades, moviliza recursos

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y crea competencias a través del uso de sus redes en determinado ambiente con el fin de generar valor. Este artículo da claridad sobre el proceso de creación de *start-ups* (nuevos emprendimientos) y tiene relevancia para empresarios, legisladores e investigadores.

PALABRAS CLAVE

Creación de nuevos emprendimientos; empresas emergentes (*start-ups*); PYME; crecimiento; ideación; oportunidad.

INTRODUCTION

Variouly referred to as a journey from conception to birth (Evers, 2003), start-up (Vesper, 1990; Van de Ven and Poole, 1995; Salamzadeh, 2015a,b), preorganisation (Katz and Gartner, 1988; Hansen, 1991), organization in vitro (Hansen and Wortman, 1989), pre-launch (McMullan and Long, 1990), gestation (Reynolds and Miller, 1992), entry (Lumpkin and Dess, 1996; Gonzalez-Perez and Velez-Ocampo, 2014), start-up companies are currently seen as engines of innovation in society (Brockhoff and Guan, 1996; Dushnitsky and Lenox, 2005; Khajeheian, 2014) and as a means of entering new markets (Zejan, 1990). These entities are, however, both agile and fragile (Blank, 2010; Lanciano-Morandat and Verdier, 2010). It is clear that start-up (new venture) creation requires a series of actions. To create a start-up, therefore, relies on actions based on an idea or opportunity (Vesper, 1990; Bhaves, 1994; Deakins and Whittam, 2000; Serarols, 2008; Dimov, 2010; Becker et al., 2015; Salamzadeh & Kesim, 2017). A typical founder of a start-up or new venture, i.e. the entrepreneur, is mostly focused on his/her idea. This concentration might lead to mismanagement or failure of the start-up. Most start-up founders miss some points or critical stages, and this could increase the rate of failure (e.g. see, Pretorius and Holtzhausen, 2008; Salamzadeh and Kesim, 2015). Thus, although rational economic man is always criticized in real world situations, taking a series of actions in a logical sequence should lead to a higher rate of success (e.g. see, Delmar and Shane, 2004; Haugh, 2007).

Moreover, there is currently a surfeit of theories and models that attempt to explain new venture (start-up) creation. Yet, the existing theories and models are in their embryonic stage, and the evidence is fragmented (Salamzadeh, 2015b). Thus, on the one hand, there is a limited common understanding of the concept, and scholars have paid attention to different aspects of the phenomenon, while on the other, these entities are drawing the attention of entrepreneurs, intended individuals, businesspeople, investors, and even policy makers, as there is a growing need to define them and propose conceptual frameworks for their study. Recently, for instance, Kuratko et al. (2015) investigated the existing approaches in entrepreneurship research, and defined eight major themes- i.e. venture financing, corporate entrepreneurship, social entrepreneurship and sustainability, entrepreneurial cognition, women and minority entrepreneurs, the global entrepreneurial movement, family businesses, and entrepreneurial education- which characterize research about entrepreneurs and new venture creation. They highlighted the importance of studying the existing trends, and taking steps forward to define those themes. Moreover, Moroz and Hindle

(2012) put stress on new venture creation as one of the main research streams in entrepreneurship which needs to be studied in more detail.

Mainly this paper aims to answer the question: “what are the main stages in the process of new venture creation?” Moreover, the paper answers two other questions. First, “what is the evolutionary trend of new venture creation theories?”, and second, “what are the main existing theories in the field of new venture creation at micro, meso, and macro levels?”. However, the paper sheds light on a more significant issue, which is the nature of “new venture creation”. To do so, the authors have used suggested questions by Whetten (1989), along with an evolutionary lifecycle view of the start-up companies. First the relevant existing literature on start-up companies (new ventures) is studied. Then, propositions are made, based on the mentioned questions (Whetten, 1989) and March and Smith’s (1995) design science framework. Finally, the paper concludes with some remarks and suggestions for future research, and highlighting the research limitations.

THE EXISTING THEORIES ON START-UP COMPANIES

“Organizational genesis does not mean virgin birth” (Padgett and Powell, 2012). It is “a journey from conception to birth” (Evers, 2003).

It seems that the history of new venture creation goes back to Darwin’s question regarding the origin of species, which triggered the movements in social sciences to make propositions and explanations about the biology of organization. Indeed, like any living organisms, human organizations have evolved throughout history. For instance, new forms of organizations emerged and evolved, both theoretically and practically, in human history (Padgett and Powell, 2012). The literature from the 1900s until 1970s is dominated by the works of scholars such as Schumpeter (1912, 1934), and Hannan and Freeman (1977), who elaborated the evolution of firms at the macro level. However, in the 1980s, these works were followed by the ideas of such scholars as Van de Ven et al. (1984) and Gartner (1985), at the micro and meso levels. Table 1 shows the evolution of the main new venture (start-up) creation theoretical studies.

Table 1. Evolution of the main new venture (start-up) creation (theoretical) studies

2010s	Meso and Macro level: Conceptual model of nascent entrepreneurs and venture emergence (Dimov, 2010); A panel study of new venture creation (Davidsson and Gordon, 2012); A dynamic multi-stage new venture emergence view (Becker et al., 2015), A contract-based theory of intermediary media firm (Khajeheian and Tadayoni, 2016)
2000s	Meso and Macro level: Effectuation approach (Sarasvathy, 2001); Activity based venture creation model (Delmar and Shane, 2004); Incubation model of new venture creation (Grimaldi and Grandi, 2005); Dynamics of new venture creation (Lichtenstein et al., 2006); Entrepreneurial model of new venture creation Serarols, 2008)

Table 1. Evolution of the main new venture (start-up) creation (theoretical) studies. Continued

	Macro level: An ecological perspective toward new venture creation (Aldrich, 1990)
1990s	Meso and Macro level: Components of a new venture (Vesper, 1990); A network theory of new venture creation (Larson and Starr, 1993); A process model of entrepreneurial venture creation (Bhaves, 1994); Pre-venture activities and start-up event sequences (Carter et al., 1996)
1980s	Meso and Macro level: Dimensions of new venture creation (Gartner, 1985); Factors showing new venture creation (Katz and Gartner, 1988); Business creation steps (Van de Ven et al., 1984)
1970s	Macro level: Theory of population ecology (Hannan and Freeman, 1977)
1900s-1970s	Macro level: Theory of Economic Development (Schumpeter, 1912; 1934)

Source: Authors

RESEARCH METHOD

Given the main goal of the research, finding an appropriate research methodology was not easy. The reason behind this study is not just to understand the phenomenon of new venture (start-up) creation. Rather it is a problem solving approach which tries to solve the problems of elaborating the phenomenon. It shows the business logic behind the formation of such entities, i.e. start-ups. It aims to design and build a model that represents the process of new venture creation. Then, a “problem solving” approach is used based on the design science approach by March and Smith (1995). This proposes a two-sided framework, i.e. (i) research activities, and (ii) research outputs (Figure 1). In this framework: (i) the *constructs* mention the main terms and concepts of the domain, (ii) the *model* is a set of propositions showing the relationship between the constructs, (iii) the *method* is a set of steps used to perform a task, and (iv) the *instantiations* operationalize the constructs, the models, and the methods. March and Smith (1995) consider that four research activities are required, namely: To *build* means to construct the constructs, models, methods, and artifacts. To *evaluate* means to develop criteria, and to assess the findings. To *theorize* and *justify* are simultaneously conducted. The result will be a justified theory. This research is mainly focused on the first two research activities, which are to build and evaluate. Moreover, research output is focused on constructs and model. The final framework is based on Whetten’s (1989) questions, and March and Smith’s (1995) approach. It should be noted that the authors used speculation, library research, and literature analysis to answer the main research questions.

Table 2. Design science research framework

Research activities		Build	Evaluate	Theorize	Justify
Research output	Constructs	To find the basic constructs/concepts (WHAT?)	Investigate completeness and understandability (WHAT?)		
	Model	Define a process model based on the business logic and lifecycle (HOW?)	Investigate fidelity with real world phenomenon (WHY?+ Context (Who, Where, When))		
	Method				
	Instantiation				

Source: March and Smith, 1995) combined with Whetten's (1989) approach

As mentioned earlier, theories of new venture creation are among the most prominent theories which cover start-up companies (Davidsson and Gordon, 2015). However, start-ups, in their present sense, are not only preorganizations (Katz and Gartner, 1988), but also creative ventures aiming at making change. Whetten (1989) suggests the questions of what, how, why, who, where, and when in order to scrutinize the process of theory development. These questions reveal the elements embedded in a typical theory. In sum, in his views: (i) "What" refers to "*which factors (variables, constructs, concepts) logically should be considered as part of the explanation of the social or individual phenomena of interest?*"; (ii) "How" deals with how these sets of factors are related. These two, i.e. what and how, constitute the subject of a typical theory; (iii) "Why" mentions the "*underlying psychological, economic, or social dynamics that justify the selection of factors and the proposed causal relationships*". Then, "What" and "How" provide description of what are the main constructs and relations in new venture (start-up) creation, while "Why" provides explanation; (iv) "Who", "Where", and "When" are conditions or the contexts which place limitations on the propositions generated in a theory. He continues that "*these temporal and contextual factors set the boundaries of generalizability, and as such constitute the range of the theory*" (Whetten, 1989). This paper concentrates on each of these elements in order to review the existing theories on start-up companies, and to develop a series of interconnected propositions which offer a new theory in this domain. To do so, a combination of two approaches, i.e. Whetten (1989) and March and Smith (1995), is offered (Figure 1).

Describing And Explaining The Phenomenon

In this study, the phenomenon in question is the process of new venture creation. Thus, to describe the phenomenon, the first step is to identify and describe the underlying concepts or stages. Since a process view is considered, the authors critically review the existing models, and suggest the following stages: (i) ideation, opportunity (venture idea) recognition, (ii) shaping the entrepreneurial intention, (iii) preparation, (iv) networking, (v) entry, (vi) value creation, (vii) exit, and (viii) organization. However, the last stage shows the birth of an organization, and is not considered as a stage in this process. To elaborate the subject of the theory, a definition is suggested which includes both “what” and “how” elements. Thus, the “Creation of a start-up company is:

- (i) a process (e.g. see, Gartner, 1985; Davidsson and Gordon, 2012),
- (ii) that starts with a venture idea (e.g. see, Vesper, 1990; Deakins and Whittam, 2000; Serarols, 2008; Becker et al., 2015) or opportunity (e.g. see Bhaves, 1994; Deakins and Whittam, 2000; Dimov, 2010),
- (iii) followed by an intended individual (e.g. see, Katz and Gartner, 1988; Aldrich, 1990, 2000; Brush et al., 2014) entrepreneur (e.g. see, Gartner, 1985; Campbell and De Nardi, 2009; Dimov, 2010; Davidsson and Gordon, 2102),
- (iv) who organizes a series of activities (e.g. see, Gartner, 1985; Deakins and Whittam, 2000; Delmar and Shane, 2004; Samuelsson and Davidsson, 2009), creates competency (e.g. see, Van de Ven et al., 1984) and mobilizes resources (e.g. see, Katz and Gartner, 1988; Vesper, 1990; Lim et al., 2008; Samuelsson and Davidsson, 2009),
- (iv) using his/her networks (e.g. see, Vesper, 1990; Larson and Starr, 1993),
- (ivi) in an environment (e.g. see, Gartner, 1985),
- (vii) in order to create value (e.g. see, Katz and Gartner, 1988; Vesper, 1990; Bhaves, 1994; Deakins and Whittam, 2000)”.

This process starts with a gestation stage (Haugh, 2007; Liao and Welsch, 2008), i.e. an early stage evolution, continues with an entry (Gartner, 1985; Shaver and Scott, 1991, Gonzalez-Perez and Velez-Ocampo, 2014), e.g. go to market activities (Gonzalez-Perez and Gutierrez-Viana, 2012), and ends with an exit strategy (Becker et al., 2015), such as merger and acquisition, IPO, etc. Although, this process indicates the lifecycle of a successful start-up, and some start-ups might fail. As mentioned earlier, “Why” mentions the “underlying psychological, economic, or social dynamics that justify the selection of factors and the proposed causal relationships?” (Whetten, 1989: p. 491). The proposed definition which includes “what” and “how” elements, is drawn from the existing literature. Thus, selection of the factors is based on: (i) logical sequence of the process, and (ii) the supporting arguments and propositions available in the literature. However, there are some propositions consolidating the causal relationships.

Stage 1- Ideation, opportunity (venture idea) recognition: The concept of entrepreneurial opportunity as the core concept in entrepreneurship proposed by Shane and Venkataraman (2000) has been challenged by Davidsson and Tonelli

(2013). They suggest New Venture Idea (NVI) as a more appropriate concept. Thus, though individual-opportunity nexus is still a main concern, NVI is “becoming” a main driver of entrepreneurship. Moreover, research on new venture creation and start-up companies, confirms the importance and effect of venture idea (e.g. see, Vesper, 1990; Deakins and Whittam, 2000; Serarols, 2008; Khajeheian, 2013; Becker et al., 2015). There are a large number of research works that support the possibility of creating a new venture without a new venture idea (e.g. see, Dess & Lumpkin, 2005), or an opportunity to be exploited (e.g. see, Shaver and Scott, 1991). Moreover, the literature suggests that when a new venture idea or an opportunity exists, it motivates the intended entrepreneur to start a new venture (start-up) (Krueger et al., 2000).

P₁: A new venture idea or an opportunity initiates the process of new venture (start-up) creation.

P₂: A venture idea or an opportunity motivates the intended individual or entrepreneur to start a start-up company.

Stage 2- Shaping the entrepreneurial intention: Shaping the entrepreneurial intention is another dilemma. There are many new venture ideas which never come into existence, or would fail if introduced by someone who does not have enough intention to follow the idea though. He or she will start the process, but would be likely to fail, since entrepreneurial intention might not exist. As Degeorge and Fayolle (2013) argue, “new venture creation is a planned and therefore intentional behavior”. Thus, shaping the entrepreneurial intention is a critical issue.

P₃: Shaping the entrepreneurial intention affects the process of new venture (start-up) creation.

Stage 3- Preparation: As mentioned earlier, research on entrepreneurial intention is a factor that motivates entrepreneurs to organize a series of activities (e.g. see, Gartner, 1985; Deakins and Whittam, 2000; Delmar and Shane, 2004; Samuelsson and Davidsson, 2009), create competence (e.g. see, Van de Ven et al., 1984) and mobilize resources (e.g. see, Katz and Gartner, 1988; Vesper, 1990; Lim et al., 2008; Samuelsson and Davidsson, 2009). It signifies the importance of entrepreneurial intention. Krueger et al. (2000) highlights this argument by contesting that: “Entrepreneurial intention is defined as the commitment to starting a new business”. Indeed, starting a business needs resource mobilization, creating competence, and activity organization (Ruef, 2005; Degeorge and Fayolle, 2013).

P_{4a}: Entrepreneurial intention motivates the intended individual or entrepreneur to mobilize resources.

P_{4b}: Entrepreneurial intention motivates the intended individual or entrepreneur to create competence.

P_{4c}: Entrepreneurial intention motivates the intended individual or entrepreneur to organize activities.

Here, the mentioned three elements, i.e. resource mobilization, creating competence, and activity organization, are called “preparation”. Atherton (2007) mentions that there are activities to be undertaken by the entrepreneur in order to prepare for business start-up. He calls these activities “pre-start activities”.

P₄: Entrepreneurial intention motivates the intended individual or entrepreneur to be prepared.

Stage 4- Networking: Networking is another requirement to initiate a successful business (Vesper, 1990; Larson and Starr, 1993; Forbes, 1999; Ramachandran & Ray, 2006). On the one hand, networking without preparation might lead to failure in the very early stage of new venture creation (Davila & Foster, 2007; Sommer et al., 2009), since the potential entrepreneur might fail to make relevant and useful connections based on his or her potentials, needs and requirements. Also, he or she might waste time on irrelevant networking activities. On the other hand, networking can help the intended individual or entrepreneur to enter the market and create value (Mitchell et al., 2000; De Carolis et al., 2009).

P₅: Networking affects the process of new venture (start-up) creation.

P₆: Preparation makes the intended individual or entrepreneur ready to initiate networking.

Stage 5- Entry: After the preparation stage, and networking, start-up companies try to offer their products or services to the market. This is called entry (Kuester et al. 1999). Entry is a critical stage, which affects the success or failure of the new venture (start-up). While entry strategies for different start-ups might differ, a successful entry is vital for any start-up (Gartner, 1985). As Dean and Meyer (1996) argue, entry barriers constrain the new venture (start-up) creation, and do not let them take advantage of available opportunities.

P₇: Entry affects the process of new venture (start-up) creation.

P₈: Networking helps the intended individual or entrepreneur to enter the market.

Stage 6- Value creation: Value creation, which lies at the heart of entrepreneurship, is an integral part of new venture (start-up) creation (Bryat and Julien, 2001; Zahra and Dess, 2001; Fayolle, 2007; Karra et al., 2008; Khajeheian, 2013, 2016). The more a new venture creates value, the more successful and valuable it will be (Bryat and Julien, 2001; Brush et al., 2001; Teal and Hofer, 2003).

P₉: Value creation affects the process of new venture (start-up) creation.

Stage 7- Exit: Once a start-up company offers its new products and enters the

market, if not before, it is time to make a serious decision about the best exit strategy? Created value, both economic and social, generated in the entry stage (Katz and Gartner, 1988; Vesper, 1990; Bhaves, 1994; Deakins and Whittam, 2000) helps the entrepreneur choose an efficient and effective exit strategy (Peters, 2009; MacKillop, 2009). Generally exit strategies are merger and acquisition, initial public offering (IPO), family business succession, etc. (DeTienne, 2010). However, it is important to think about an exit strategy at the outset and before the business is formally launched.

P₁₀: Value creation helps the intended individual or entrepreneur to exit.

The context: As stated earlier, “Who”, “Where”, and “When” are conditions or the contexts which place limitations on the propositions generated in a theory. *“These temporal and contextual factors set the boundaries of generalizability, and as such constitute the range of the theory”* (Whetten, 1989: p. 492). The start-up creation takes place in an environment which poses boundaries to the theory. Gartner, one of the first new venture creation scholars, highlighted the role of environment in the new venture creation process. He argued that, in organization theory, there are two different views of environment: (i) environmental determinism (Aldrich, 2000; Hannan & Freeman, 1977), and (ii) strategic choice (Child, 1972; Starbuck, 1976; Weick, 1979). In entrepreneurship both views are taken into account. In his work (Gartner, 1985), and here, those variables which “are relatively fixed conditions imposed on the new venture from without are called environmental variables” (deterministic variables). The variables over which the start-up has more control should be considered in the start-up level (strategic choice variables). In his seminal paper, Gartner (1985) enumerates these environmental variables, which are supported in the literature also.

In entrepreneurship, new venture creation, and start-up research, environments play a significant role in the availability of entrepreneurial opportunity (e.g. see, Sine and David, 2003; Li, et al., 2006; Sarasvathy et al., 2010; Edelman and Yli-Renko, 2010; Renko et al., 2012).

P_{11a}: The more the environment is ready for creating start-up companies, the more ideas or opportunities will be available.

Some scholars such as Choo and Wong (2006), Zhang and Yang (2006), Díaz-Casero et al. (2012), and Kristiansen and Indarti (2004) argue that environmental factors affect entrepreneurial intention. However, some environmental factors, such as informal institutions, social norms, social networks, might affect entrepreneurial intention, while others, such as entrepreneurial skills and press discourses, might not (e.g. see, Schwarz et al., 2009).

P_{11b}: The more the environment is ready for creating start-up companies, the higher the level of entrepreneurial intention.

As mentioned earlier, environment is an integral part in any new venture creation process. The literature confirms this argument and argues that any start-up should be prepared for this journey (Forbes, 1999). The environment plays a significant role in the preparation stage. For instance, resource mobilization and availability of resources is a function of environmental variables (Edelman and Yli-Renko, 2010). Moreover, availability of financial resources is another dilemma (Gartner, 1985), and government plays a significant role in shaping the environment. Indeed, these will affect preparation (Maggioni et al., 1999).

P_{inc}: The more the environment is ready for creating start-up companies, the easier the preparation will be.

Networking and building social capital for new venture creation and start-ups is another issue to be studied (De Carolis et al., 2009). In this regard, environment influences the networking criteria, such as network size (Coviello, 2006; Qian and Kemelgor, 2013), and network diversity (Auken, 2002), etc.

P_{ind}: The more the environment is ready for creating start-up companies, the easier networking will be.

Value creation is a vital issue for start-ups and new ventures (Katz and Gartner, 1988; Vesper, 1990; Bhaves, 1994; Deakins and Whittam, 2000). If it fails to create value, the newborn company will die. Hence, it is clear that entry determines value and value determines the existence of a typical start-up. An appropriate environment makes it easier to go to market, enter, and create value (Mitchell et al., 2000; Cohen et al., 2008; Hitt et al., 2011).

P_{ine}: The more the environment is ready for creating start-up companies, the easier entry/value creation will be.

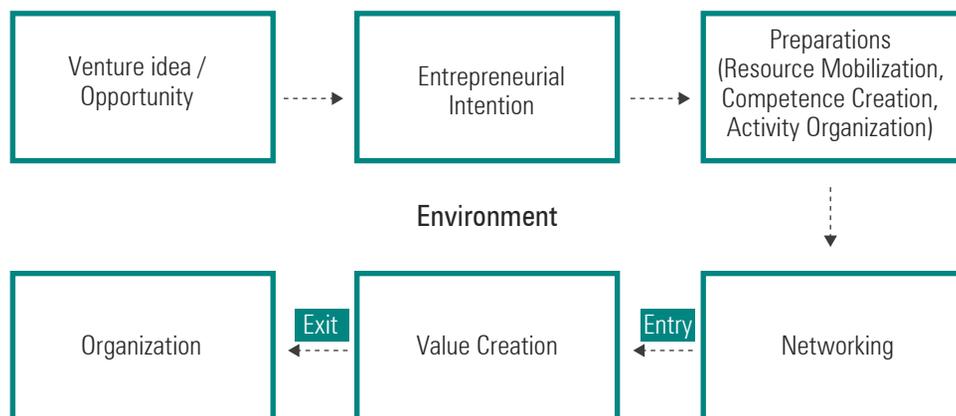
Finally, when a start-up enters the market and creates value, it is time to make a valuation assessment in order to determine the value of that start-up (Bhave, 1994; Berk et al., 2004). In this stage, environment is a vital issue to be considered. If the market is uncertain (Sanders and Boivie, 2004), regulations are not appropriate (Ahlstrom and Bruton, 2006), key players are not interested in new venture creation (Ndonzuau et al., 2002), etc., valuation will be affected, and thus might limit the choice of exit strategies (Dossani and Kenney, 2002).

P_{inf}: The more the environment is ready for creating start-up companies, the easier the exit will be.

CONCLUSION

As discussed earlier, start-up companies are an emerging field, both theoretically and practically. Although, the research on “new venture creation” is not a new topic, the concept of start-up companies is in its early stages. Scholars of organization science mostly focus on pre-organization phenomena (see e.g. Gartner, 1985), while entrepreneurship scholars integrate it with concepts such as opportunity, valley of death, and the like (see e.g. Zahra et al., 2006; Wright and Stigliani, 2013). This paper has concentrated on start-up companies and tried to present a set of propositions in order to distinguish these entities from existing organizations, established SMEs, etc. Thus, based on the main research question, i.e. “what are the main stages in the process of new venture creation?”, the authors used the questions suggested by Whetten (1989), and March and Smith’s (1995) framework to present a new stage model for creating start-up companies (new venture creation). In this paper, the process of new venture (start-up) creation is studied, through speculation, library research, and literature analysis. Based on the findings, “creation of a start-up company is a process which starts with a venture idea or opportunity, followed by an intended individual/entrepreneur who organizes a series of activities, creates competence, and mobilizes resources, using his/her networks, in an environment, in order to create value” (Figure 1).

Figure 1. The process of new venture (start-up) creation



Source: Authors

Moreover, the authors answered other research questions. First, “what is the evolutionary trend of new venture creation theories?”, and “what are the main existing theories in the field of new venture creation at micro, meso, and macro levels?”. Based on our findings, the topic is raised by scholars such as Schumpeter (1912, 1934) and

Hannan and Freeman (1977) at macro level, before Van de Ven et al. (1984) and Gartner (1985) started the discussion at the micro and meso levels in the 1980s. The evolution of the field shows that there is a gap in studying “new venture creation” in multiple levels of analysis. Moreover, one of the main contributions of the authors is to use the questions suggested by Whetten (1989), and March and Smith’s (1995) framework in order to clarify the nature of “new venture creation”.

IMPLICATIONS FOR THEORY AND PRACTICE

As mentioned earlier, this research sheds light on the nature of new venture creation as a multi-level and a multi-stage phenomenon. It contends that theories of new venture creation should concentrate on more specific stages and levels to increase the success rate of new ventures. Although some scholars might criticize the “rational economic man” insight, it seems that if researchers could theorize this phenomenon, entrepreneurs might be able to consider the required steps, stages, or even levels which might increase the success rate, decrease the rate of failure, and provide them with a plan of the ways they could/should take. Though, some scholars criticize this process approach or more specifically the stage models (e.g. see Storey, 1994; Haugh, 2007), most believe that there should be some kind of legend for (potential) entrepreneurs to read the “new venture creation map” (e.g. see Gartner, 1985; Katz and Gartner, 1988). Thus, this paper contributes to the practice of new venture creation by introducing a set of stages that entrepreneurs may take to create a new venture. Also, it contributes to their knowledge of the new venture creation process. Based on this, policy makers could devise policies or consider support measures for different stages in order to facilitate successful new venture creation. Moreover, researchers could consider different levels of analysis, concepts, and stages in their future research. The findings of this research also have implications for teaching new venture creation to students in the fields of business and entrepreneurship.

LIMITATIONS

As mentioned above, proposing a “universal model” for new venture creation is not easy, and some researchers believe that it is not possible or reasonable. For instance, Haugh (2007) argues that this process is complex and varies between different entrepreneurs in different environments. Some scholars also criticize the stage models. For instance, Bhave (1994) argues that the transition between one stage to another is not automatic, while Haugh (2007) argues that different management styles are considered contingent to each stage. Although, this might be true, it might be proposed that high rates of failure might be a direct result of mismanagement of entrepreneurs/founders in different stages. For instance, charismatic leadership might be an integral part of managing a start-up in the very early stages, such as recruiting new experts, dealing with angel investors, etc. However, it might not be appropriate in the next stages, such as resource mobilization which requires a more pragmatic than charismatic management style. Again, Haugh (2007) argues

that these stage models assume that movement between stages is triggered by a specific crisis. This is a challenging argument to make, which needs to be explored. Storey (1994) also criticizes the stage models. He believes that understanding the factors influencing growth is of paramount importance, compared to considering the stages. Albeit this view is initiated by Gartner (1985) and followed by many others, the process model presented in this paper shows that considering such a model, in which the environment is considered, could alleviate this dilemma. Present studies on new venture creation support this argument (e.g. see, Parker, 2006; Moroz and Hindle, 2012). Finally, in this research, the authors believe that, like human beings, any organization has its own evolution. Despite the differences which make us different people, we all pass through a lifecycle: embryo, birth, growth, maturity and death. Evolution is an integral part of our lives. However, some of us might die young, like those companies that die in the “valley of death”. This similarity was the basic axiom behind this research.

In sum, however this research explains many of the apparent contradictions raised by the paradox, but it raises numerous questions and some existing questions remain unanswered. Some of these questions are: “Why do most contemporary researchers neglect meso and macro levels in their studies?”. Most of the researchers mention that new venture creation is dependent on different, contextual, social, individual, and industrial factors (Gonzalez-Perez and Fernando Velez-Ocampo, 2014). If so, “what are these factors and how do they affect the process?”. To some scholars the stage view is not accepted due to the reason that the sequence might change. If so, “what are the different possible sequences, and which work best in which industry or at which level?”. There should be some reasons behind this argument that the process view is not acceptable. “What are the axioms or presumptions behind this reasoning?” “What are the most common evolutionary stories in the new venture creation arena?”.

DIRECTIONS FOR FUTURE RESEARCH

Based on the model, future researchers might study the evolution of start-ups testing the propositions. Also, each proposition might be broken down into several sub-propositions in order to offer a better understanding of the stages, and the phenomenon itself. Another opportunity is to study different start-up companies, in different contexts and industries, in order to distinguish the nuances. Moreover, there are several axioms regarding start-ups which are not studied in this research, and could improve the research domain. Environment itself has a significant role in the creation of start-ups, however Gartner (1985) enumerates the environmental variables, finding the most relevant variables is useful. In this study, the authors divided the existing theories in (i) macro, and (ii) meso and micro levels, which might be studied in more detail. Studying these levels might lead to a multilevel theory of new venture creation, or formation of start-up companies. In addition to this, panel studies, such as the one conducted by Davidsson and Gordon (2012), could provide more insights on different levels.

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