



BUSINESS CREATION IN AUSTRALIA PAPER #8

Identifying important success factors in new venture creation

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1. KEY FINDINGS

This paper seeks to uncover the factors that lead to a successful entrepreneurial experience and or venture. Findings of interest in this paper include:

- A venture's initial aspirations are a double edged sword. Ambition may lead to improved performance by striving to reach harder goals. Harder goals are more difficult therefore this may lead to some dissatisfaction, and possibly abandonment of the venture.
- Venture legitimacy is important to establish where possible. Firms that formalize their legal form are more successful, as are those set up a shop-front in order to makes sales.
- Increased use of technology and higher levels of novelty does not guarantee success early on. Firms of this nature have longer processes, and attempting to create brand new markets is difficult to achieve. At the same time developing your own technology and securing this intellectual property is important for success.
- Having goals to work towards and business planning may be useful, but only if the plan is actively revised. Just having a business plan does not matter. Business plans are more useful as a thinking tool than as a blueprint for action. It is the process of thinking through while reviewing the plan that provides the benefit, not following its instruction to the letter.

2. INTRODUCTION

This final paper synthesises and expands upon a number of previous findings reported to examine the question: what makes for a successful entrepreneurial experience and/or a successful venture? The paper describes success factors that relate to the 'nature' of venture as well as the way it is 'nurtured'. We will provide Australian empirical evidence across all types of start-ups, using data from the Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE). This longitudinal data set, which was collected in four annual waves 2007-11, uniquely allows the analysis of entrants at two stages of development. These are the random samples of *Nascent firms* (625 cases) – which are in the process of being created but not yet established in the market place – and *Young firms* (559 cases) – which have been operational for up to four years. The data is further explained in the Appendix. For more comprehensive accounts of the CAUSEE data collection, please refer to (Davidsson, Steffens, & Gordon, 2011) and/or the CAUSEE User Manual (Australian Centre for Entrepreneurship Research, 2012a). The analysis of venture creation success conducted in this paper is based upon the same theoretical model for venture creation around which the CAUSEE study was designed. This model structures together different elements that are relevant to venture creation in order to best describe the outcomes that are achieved. Each of these elements were covered by multiple questions in the CAUSEE study interviews, as were several questions that gauge venture success. This formed the

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focus for our analysis, and the outline for this paper. The paper proceeds as follows. Firstly, the CAUSEE models and its constituent elements are introduced. Next, success is defined according to a number of different outcomes a venture might attain. Then an analysis method is described for assessing how different factors in the model are linked to success. The remainder of the paper presents the results of these analyses grouped together by each element of the CAUSEE model. Finally, important factors are drawn together in an overall model for each success measure and conclusions are drawn on their relative importance.

3. VENTURE CREATION AND DEFINING SUCCESS

3.1 The CAUSEE model of venture creation

Figure 1 presents the CAUSEE model of venture creation and its constituent elements¹. As the model suggests venture creation (outcomes) may be described as a result of four different precursor elements: the venture, resources, process and the environment. The meaning and interaction of these elements can be conveyed by way of an analogy with a game of 'building blocks'. The venture element of the CAUSEE model would describe what is being attempted to be built with the building blocks. The resources element of the model corresponds to the building blocks themselves that are arranged in order to match what is being attempted to be built. The process element of the model would correspond to how the building blocks are put together, whether this is fast or slow, what blocks are put where and in what order. While the environment element of the model describes the rules of the building block game; rules that define what can and cannot be built, or how difficult it might be. The outcome of the CAUSEE model of venture creation is dependent upon all of these elements coming together: what is being built, what is being used, how this is done, and how rules shape the outcome. As the results of this paper are presented in line with each element of the CAUSEE model an expansion into the detail of what each of them entail will be left until those sections of the paper.

¹ One thing that is important to note about this model is that it is configured to describe new firm creation from the level of the venture. Many interpretations of what constitutes entrepreneurship focus on it being a phenomenon linked to the individual entrepreneur. Of course individuals and their characteristics are important. However, this model and the CAUSEE study sees the individual as a resource upon which the venture may draw.

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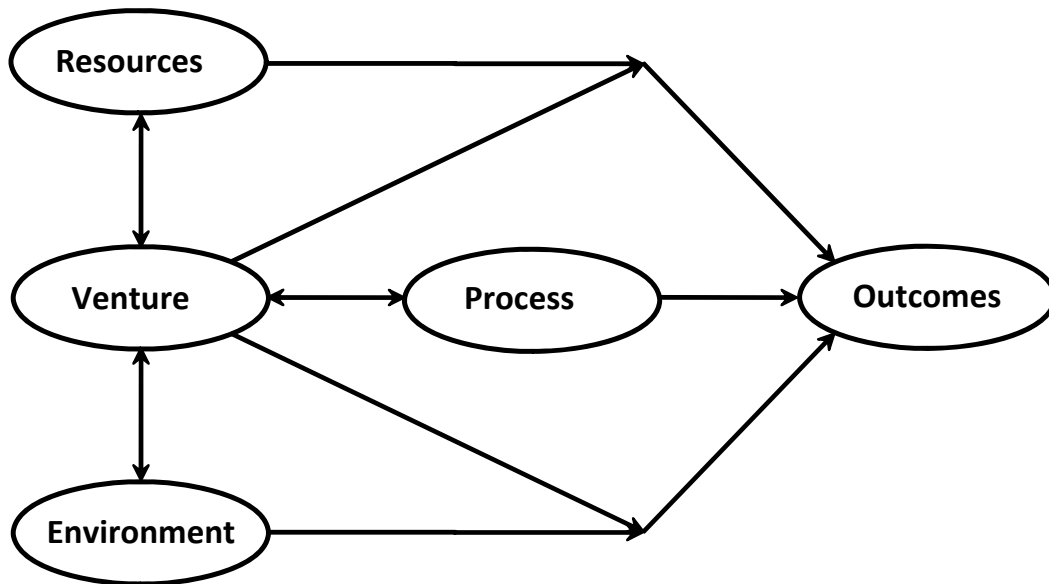


Figure 1

3.2 Venture creation success factors

Assessing venture creation outcomes as being successful or not is something that is easy to do. This is because it is hard to define success using a single measure. This is especially true if you consider the wide range of ventures that are created by entrepreneurs. For example, a professional services consultancy business that is run by a single entrepreneur alone, without employees, that generates significant profit enough to create a living for the owner is vastly different from a construction company that has a number of employees, generates a lot of turnover but has tight profit margins. Both of these firms may be considered successful in their own right, yet the type of success they enjoy is quite different. Whilst the range of success factors can be more easily identified for established firms, the same cannot be said for nascent firms.

So how do you measure success for firms that have just started being created? These Nascent Firms may be yet to make any sales at all, but are still being worked at very hard by their owners. In this case using the level of sales will not work. The answer for this may need to include subjective measures of how the founders think they are performing in order to capture success. However, how founders think they are going will not be very useful on its own, as it could vary so much, therefore more objective measures may be required, such as that the firm is still being worked on.

In all, success in venture creation differs depending on the stage of the development of the firm, and the type of firm being created. The approach taken in this paper is to assess success using a number of measures. This will provide a broader picture of what venture creation success looks like, as well as making it possible to identify robust predictors of success that influence different types of success. For example, a firm that continues to survive but does not make profit, could be considered less successful than one

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that survives and thrives making substantial profit. If firm survival alone was used as the measure of success then both of these firms would be considered as successful as the other.

Venture Outcome Variables In this paper there are six outcome variables used to evaluate venture success:

- 1) Survival;
- 2) Employment;
- 3) Performance assessment (for ongoing ventures);
- 4) Entrepreneurship experience – favourability rating (for terminated ventures);
- 5) Operational status of consistent sales in the market (for nascent firms); and
- 6) Profit – level measurement (for young firms).

Four of these outcome variables are objective measures of success – survival, employment, operational and profit. While the remaining two outcome variables capture a subjective measure of success – performance and experience.

Survival is a success measure that may be considered the baseline for the others. This is defined as a firm that regardless of other performance remains being developed and worked on by the founders. Employment is a success measure that in part captures a firm's impact on the economy, and in part captures the nature of the firm itself. Given that many firms do not employ anyone at all, other than for their owners, we define employment as job creation. This success measure is captured by the fact the firm has created at least one job for others, not the number of jobs created. The remaining two objective success measures are ones that depend on the venture's stage of development. As financial measures like the level of sales, or profit may not exist for early stage ventures they cannot be used as a gauge of their success. Rather, it is more useful to know that a Nascent Firm has established itself well enough to be able to grow into the future. Therefore, the success measure used for Nascent Firms relates to them being able to establish sales, rather than the actual level of sales. The objective measure used in this paper is that they make sales in the market that are consistent for at least six of the past twelve months. At this point the Nascent Firm may be considered operational. This measure captures the transition from the Nascent Firm stage, to the Young Firm stage. Once established as a Young Firm, financial performance may be more readily captured as the level of sales, or level or profit. Profit is the more useful of these two as it relates to the value a firm is able to create and capture for its owners after operational expenses are considered. Therefore the Young Firm success measure used in these analyses is the level of profit made².

Two subjective measures are used to capture success. The first is defined as how the entrepreneurs rate their performance compared to their expectations, with regard to

² In fact the logarithmic transform of the level of profit is used, in order to normalize the distribution. This transformation takes into account outliers that have far larger levels of profit and do not compare well with the large number of firms who have very small, or no profit.

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net profit, development of sales, cash flow, and growth of the venture's value. These four ratings were measured on a five point scale from 'much worse', through 'as expected', to 'much better' and summed together to give an 'overall performance rating. The second perceptual measure captures the founders rating of their entrepreneurship experience if they had terminated their ventures, again on a five point scale from negative to positive.

3.3 Analytical approach

The analysis of success in this paper uses the CAUSEE model of venture creation to group together similar venture creation factors. Typically there will be a few groups of these factors within each element of the overall model. The analysis identifies the strongest predictors of success for each group of factors, and then the strongest predictors within each element of the model. This part of the modelling separately selects which are the strongest venture drivers of success, the strongest resource drivers of success, the strongest process drivers of success, and the strongest environmental drivers of success. By modelling each of these separately it is possible to identify subtle factors in each of these model elements that determine success. This would be missed if the analysis only focused on an overall model. Finally, a model is created that brings all these best predictors together, as in the model (Figure 1). This part of the analysis selects the strongest overall drivers of success by including all those identified in the first stage modelling. This effectively pits venture, resource, process and environment variables against each other to determine which have the strongest overall main effect on each success measure. This method is effectively a multi-stage hierarchical analysis of main effect drivers of venture success. Regular linear regression is used to analyse the continuous success measures (performance, experience, profit), and logistic regression is used to analyse the binary success factors (survival, employment, operational) that are captured as presence/absence.

Each outcome measure was assessed at each outcome wave of the CAUSEE study (W2, W3, W4) in order to measure how these effects change over time. However the main outcome assessment was based on a pooled estimate of performance over all waves. The pooled outcome measure makes use of the ultimate outcomes for each of the outcome variables, as last recorded in the sample. This approach minimises the effect of natural (or otherwise) attrition from the longitudinal study and maximises modelling power. In addition using pooled analysis favours outcome drivers that are stable over time, and hence exhibit the strongest aggregate main effects.

Table 1 shows which cases were used in each type of analysis, depending on the element represented in the CAUSEE model, and the success factor being assessed. This table also shows the format by which the results are presented later in the paper. For the venture survival and employment creation success factors all CAUSEE study samples were analysed together, including Nascent and Young Firms. For the perceptual success factors relating subjective performance assessment and entrepreneurial experience, again both Nascent and Young firms were analysed together.

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However, for subjective performance this only applied to those firms that had not been terminated by their founders, and for entrepreneurial experience this applied to firms that were terminated. The final two success factors related to the Nascent and Young Firm samples separately. Only Nascent Firms were analysed to see which factors related to them being able to reach an operational state. Only Young Firms were analysed to assess their level of profit attained.

Table 1

OUTCOME Model element	Surv	Empl	Perf	Exp	Oper	Prof
Venture	ALL	ALL	Ongoing	Quit	NF	YF
Resources	ALL	ALL	Ongoing	Quit	NF	YF
Process	ALL	ALL	Ongoing	Quit	NF	YF
Gestation	NF	NF	Ongoing NF	Quit NF	NF	N. A.
Environment	ALL	ALL	Ongoing	Quit	NF	YF
<i>Example results</i>						
Resource factor	none	+++	+	none	none	++++
Venture factor 1	-	--	none	none	--	none
Venture factor 2	++	none	----	++	-	None
Venture factor 3	---	none	none	---	++	---
Process factor	+++	++++	+	None	+	++

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

As for the results from these analyses: a plus sign (+) and minus sign (-) in the tables denote the direction (positive and negative respectively) of the relationship between the independent (venture creation) variables and the (venture creation) outcome success factors.

The number of plus and minus signs together signify the statistical confidence in this relationship, and its direction. A single sign (+/-) suggests a directional relationship; however this is somewhat uncertain, and corresponds to a 10 per cent confidence interval. A double sign (++)/-) signifies a relationship that demonstrates the conventional (5 per cent confidence) level of uncertainty to be accepted. Triple and quadruple plus/minus signs

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denote a somewhat certain relationship at the 1 per cent and 0.1 per cent confidence interval. In the later three cases it may be accepted that this relationship reflects the true nature of how these independent and outcome variables relate. In cases where 'none' is listed in the table suggests that the relationship is statistically indeterminate. Therefore, the relationship could be in either direction, the available data does not allow us to make this determination.

So in the example results for Table 1 – the resource factor is positively related to employment and profitability and these results are quite certain. There is also some evidence that the resource factor is associated with higher performance perceptions, but this is statistically uncertain. The resource factor is not associated with increased or decreased chances of survival or becoming operational. Venture factor 1 reduces the chance of employment, and becoming operational, as well as venture survival. However this last finding is not certain. For venture factor 2, the effects on success are a mix of positive and negative. Venture factor 2 increases the likelihood of firm survival and the experience rating if the venture was terminated. At the same time, venture factor 2 significantly reduces the perception of performance, and may be linked with lower chances of becoming operational. Venture factor 3 reduces survival, entrepreneurship experience rating, and profitability, but increases the chance of becoming operational. Finally the process factor increases the likelihood of survival, employment, and becoming operational as well as improves performance perception and profitability. However, only the effect on survival and employment is certain.

4. VENTURE TYPE

The first element examined in the CAUSEE model of venture creation is the venture itself. This part of the model captures the fact that the firms which different founding teams aim to create will be very different from each other. Nascent and Young Firms can come in all shapes and sizes, from the mum and dad corner store which creates employment for its founder, to the rarer high growth, high impact firm that creates employment for many.

A firm's founders might have different demographics: be from different backgrounds, engage in entrepreneurial activity at different stages of their lives, and their teams may be formed with others of the same or different genders. Different firms will be created with different goals and aspirations that will define the type of venture they are. The form that a new business takes in the economy may also define the type of success they are able to achieve. Finally, a venture may also be defined by the business idea at its core. Some business ideas aim at developing or using new technologies in order to lead the market in new directions, while others rely on well-established ideas that are given a new twist by the founders. Therefore it is important to capture the influences that different aspects of a firm's business idea have on the success they achieve, such as the level of novelty it represents. Thus, the remainder of this section explores the success factors that may be explained by the type of venture being pursued.

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4.1 Demographic composition: age gender and ethnicity

The following venture characteristics detailed in Table 2 capture basic demographics of the firm's founding team. The main idea is that the socio-demographic strata that bound the firm's founders may influence the ventures they choose to create, and in turn the success they can achieve through entrepreneurial endeavour.

Table 2

VENTURE	Surv	Empl	Perf	Exp	Oper	Prof
<i>Demographics</i>						
Age	-	none	none	none	none	--
Non European ethnicity	--	none	none	none	----	none
Immigrant	none	none	++	none	none	none
Gender - all female team	none	----	none	none	none	none
Gender - mixed team	none	+	none	none	+	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/--) denotes a 5 per cent confidence interval; (+++/--) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

Although some demographics factors contribute to venture success it is difficult to interpret these effects in the absence of other contextual information, or without accounting for coincident success drivers. On the whole, demographic factors alone may do little to directly describe venture success. For example, the age of the firm founders does not contribute to the success they might achieve, except in the case of Young Firms who achieve less profit should their founders be older. However, it is not clear why this should be so. It may be due to the ambitions of these firms with older owners being lower than is the case for younger founders.

There is some certainty to the finding that all female teams are less likely to employ others in their venture. It is most probable that this success measure can be attributed to female firms having less intention to employ others in the first place, or being situated in industries less likely to create employment. In sum, the direct link between gender and employment suggested by these results does not sufficiently include factors that are as likely to provide important explanations for the effects. The immigrant status of new venture founders does nothing to diminish the success they enjoy. The findings of the CAUSEE study suggest that immigrant founders are little different from Australian born founders, except that they perceive higher performance in their ventures. Yet the immigrant founder's enhanced perception of performance is not reflected by real performance, either as increased profit or increased likelihood making consistent sales in the market.

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The Nascent Firm founding attempts of non-European entrepreneurs are less likely to become operational. Further, Nascent or Young Firms created by those of non-European ethnicity are less likely to survive. The reason for the difficulty experienced by non-European founders is not immediately clear and warrants more careful analysis that accounts for concurrent contextual information. However, on the face of it, this effect is a true representation of the ethnic entrepreneurship experience given that this result is one that has been identified in earlier analyses of CAUSEE data (Davidsson, Steffens, Gordon, Garonne, & Senyard, 2009). The fact that this finding holds up after four years of data collection, across multiple analyses and mirrors findings in US data on minority entrepreneurship (Köllinger & Minniti, 2006) suggests cumulative evidence of disadvantage. None the less, the most relevant gauge of this ethnicity effect on venture success is whether it persists once other drivers of success are accounted for (like the effort invested by the entrepreneur). This requires more sophisticated modelling to take into account the venture demographic context as it likely has an influence in concert with other aspects of venture creation. As such, we will return to this result in discussion of full model results presented later in this paper.

4.2 New venture characteristics

Compared with the demographic profile of the firm's founders, a few fundamental characteristics which describe the type of business are far more enlightening as to the prediction of future success. Table 3 summarises the effects of venture characteristics upon venture success.

Table 3

VENTURE	Surv	Empl	Perf	Exp	Oper	Prof
<i>Type</i>						
Services	++++	none	+++	+++	+++	++++
Family business	++	none	++	none	+++	none
Franchise	---	none	--	--	none	none
Legal form - Sole trader	+++	none	none	none	++++	none
Legal form - Partnership	+++	+++	none	none	+++	none
Legal form - Pty Ltd company	++++	++++	none	none	++	none
Non-home based venture	+++	++++	none	none	++	none
Brick & mortar venture	++	+++	+++	none	++++	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

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A clear result of these analyses is that service based firms more readily achieve success; as opposed to those which aim to produce products. Service based ventures seem more nimble given that they are more likely to survive, become operational and have increased levels of profit. The subjective assessment of entrepreneurs engaged in service venturing is also positive, regardless of whether they are ongoing or whether they terminate. The only success factor not attributable to service based firms is that of employment creation. However the strength of these findings in favour of firms who deliver services does not preclude product based ventures also enjoying a level of success. However, it would seem that success in product based venturing is more difficult to achieve, given the extended timeframes required to develop them, and the higher overheads required.

Firms that are established as a family based venture also enjoy robust success in the early stages of firm creation. Family based firms are more likely to be able to survive than other firms that do not include family members. Nascent family businesses are also more able to navigate the venture creation process and become operational in the market. Yet once established as a Young Firm, those based around family are no more likely to employ others or achieve higher profits based on that characteristic. In all, it seems that a family component to firm founding provides support and early resilience, rather than later financial gain. This interpretation is also reflected in the fact that family based firms rate their subjective performance higher than other firms, despite this not necessarily being so objectively.

By itself, venture type seems to determine venture survival. Ventures that have formalized their legal structure, be it as 'sole trader', 'partnership' or 'pty ltd company', are more likely survive. Although, venture success for 'sole trader' type ventures is not reflected by the creation of new employment, as it is for 'partnerships' and proprietary companies. However these findings may be attributed to reverse causation, where venture survival and employment may necessitate formalization of the legal form and the provision of employment in order to proceed, rather than legal form driving success. Sole trader based firms are able to survive and are likely to make consistent sales possibly as they are leaner operations which have no need for coordination between different founders who might apply different management styles. Alternately, this ability to persist and become operational may accord with lower aspirations given that more concrete success, such as creating employment or enhanced profit, does not align with sole traders.

Two measures that may be thought of as capturing firm validity are 1) whether the firm has established an independent business location other than at the home of the entrepreneur, and 2) are based solely on direct exchange of goods and services rather than internet mediated sales. Firms that exhibit these two characteristics are more likely to survive, to reach an operational state, and to create employment for others. There may be an element of legitimization attached to brick and mortar, and location based ventures, despite their probable modest aspirations.

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The only venture type assessed in this set of variables that does not afford greater success is the franchise firm. Although a small proportion of the entrepreneurial firm population (4 per cent), the outcomes achieved by franchises does not correspond well with the intention that they are simple to establish business concepts. Perhaps this may be attributed to franchise firms being established by less experienced entrepreneurs, or those with access to fewer resources. A franchise firm will bring established management and marketing systems. Yet, they often engage in highly competitive industries and founders are often restricted by contracted boundaries being placed on their ability to act in certain ways. This may go some of the way to explain why they are more likely to terminate and their owners perceive lower performance or rate their experience lower than other independent entrepreneurs.

4.3 New venture technology, and venture idea novelty

The variables analysed in this section relate to the level of innovation and technology used by Nascent and Young Firms (Table 4). The first two variables capture technology in the emerging ventures: whether they see themselves as being a 'high technology' based firm or if the technology they use in their firm is recent (less than five years old). The next three variables address the development and protection of a firm's technology. The first of these captures whether research and development is a priority for the firm, the second captures whether the firm has developed any of its own proprietary technology, and the third assesses whether the firm's intellectual property has been legally protected. The final variable in this group captures the overall level of novelty brought to the market by the business idea around which the firm is based. As will be expanded upon later (Table 5), this assessment of novelty is based on four different dimensions assessed using a four point scale as either being completely new to the world (novelty equals three), through to an imitation of other business concepts (novelty equals zero). The resulting composite novelty index ranges from zero to twelve.

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Table 4

VENTURE	Surv	Empl	Perf	Exp	Oper	Prof
<i>Technology</i>						
High technology	none	none	none	none	none	none
New technology (<5 yrs)	none	+	none	none	none	none
R&D priority	none	none	none	none	-	--
Developed proprietary tech.	+++	++++	none	none	none	none
IP protection	none	none	none	none	none	--
Venture novelty (total)	--	---	none	none	-	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/--) denotes a 5 per cent confidence interval; (+++/--) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

The summary of findings regarding venture technology is that this alone does not guarantee success. Ventures that are considered high technology, and use newer technologies in the business or have a research and development (R&D) focus have a hard time demonstrating success. In fact, ventures for which R&D is important derive lower levels of profit than other new ventures. This may be due to the long lead time required for any participation in R&D, and the costliness of its conduct. Surprisingly this pattern is also evident for firms that have secured their intellectual property; as they are less likely to generate higher profit when Young Firms.

Turning to the overall novelty represented in the firm's business idea, the effect this has on success seems to be rather negative. Firms that include higher levels of novelty are less likely to employ others, and they are more likely to be abandoned by their owners. Nascent Firms with increased novelty are also marginally less likely to establish themselves as operational firms. However, increased novelty does not mean that once established as Young Firms a business will capture less profit than those with less novelty. Although the inverse is also true, more novel firms do not on average capture more profit as Young Firms. In all, this suggests that high/new technology firms and those based around novel ideas are more difficult to successfully establish in the market. While in aggregate these types of innovative ventures may seem to underperform it is also likely they include some outlier cases that achieve high performance. Yet, ventures that develop their own proprietary technology derive improved performance in terms of survivability and employment generation. This finding seems the antithesis of the previous that suggests that ventures that are based around more novel ideas underperform in terms of survival and employment. For success it may be a case of finding a middle ground between novelty and market acceptance, and being able to secure the venture's own (proprietary) take on a product that is the formula for technology venture success.

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Table 5

VENTURE	Surv	Empl	Perf	Exp	Oper	Prof
<i>Novel ty</i>						
Product/service	none	None	-	--	none	none
Promoti on/sel l i ng	none	None	none	none	none	none
Produci ng/sourci ng	none	None	none	none	-	none
Market/customer	--	--	none	none	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

Breaking down the business idea novelty into different component dimensions helps unpack why more novel firms find success more difficult to achieve. The overall novelty of the firm’s business idea was assessed as being made up of 1) novelty related to the actual product or service being delivered; 2) novelty in the way in which a firms offerings are promoted or sold; 3) novelty in the way a firms products are produced or sourced; and 4) novelty in the market or the customers a firm aims to target (Dahlqvist & Wiklund, 2012). Analyses of these separate dimensions reveal that that difficulty in survivability and employment is due to the novelty relating to the market or customer. While this is arguably the goal for entrepreneurship, this finding underscores the difficulty of establishing completely new markets.

4.4 Aspirations and perceptions

The following package of results relate to the aspirations venture founders hold for themselves and their ability to perceive the business environment and their own performance relative to it (Table 6). A venture’s aspiration is an important indicator of the type of firm being founded, and perception is an important indicator of the founders’ grasp on the reality of that task. In part this collection of variables captures information on the venture goals, and ability to meet those goals. The overall influence of how aspirations and perceptions are linked to venture success is quite mixed. Save for employment, aspiration corresponding with employment as a success factor, the relationship between increased aspiration and success appears to be negative. On the other hand there is a clear link between a venture’s own perception of performance and the success they enjoy.

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Table 6

VENTURE	Surv	Empl	Perf	Exp	Oper	Prof
<i>Aspiration</i>						
Growth focus	--	+++	--	none	-	---
Non-local sales aspiration (%)	none	none	---	--	---	-
Sales aspiration (\$ in 5 yrs)	none	none	none	none	none	+
Employment aspiration (# in 5 yrs)	none	++	+	--	none	none
<i>Perception</i>						
Own survival perception (%)	++++	++++	none	none	++	+++
Others survival perception (%)	none	none	none	--	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

An interesting pattern of results was found regarding a firm's overall growth focus. To assess overall growth focus the CAUSEE study asked founders whether they wanted their firm to 'be as large as possible' or 'a size we can manage ourselves or with a few key employees'. Results shows that growth oriented firms were less likely to survive, and Young Firms have lower levels of profit. The survival result may be explained by a firm selecting to cease pursuit should they not achieve the level of performance they had hoped for. Support for this interpretation can be found by the fact that even growth oriented firms that do persist rate their subjective performance lower than others do, and the fact that actual profit is reduced in these firms. Interestingly, however, those firms that are growth focused are more likely to employ others despite their lower level of profit. This may indicate that growth oriented firms aim to gain firm size and capacity prematurely rather than achieving enhanced market based performance as a priority (Davidsson, Steffens, & Fitzsimmons, Forthcoming). In all, this clearly identifies the stark difference between the early aspirations a firm holds and the actual success they might achieve.

Should a firm hold increased sales aspirations beyond their local market they are less likely to be successful in a number of areas. Nascent Firms that aim for a larger percentage of non-local sales are less likely to achieve an operational status, as they are less likely to rate their performance or entrepreneurship experience highly. However non-local sales aspiration is not detrimental to firm survival. This would indicate that Nascent Firms who choose a greater geographic dispersion for their product or service find their task of firm creation more difficult than those with aspirations closer to home.

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Results from the analysis of two perceptual variables are listed at the bottom of Table 6. The first of these assess the firm's own estimate of their ability to survive for five years. In all, this survival perception is a rather robust predictor of the ventures eventual success. Firms that perceive themselves as having a higher chance of survival are more likely to survive, as they are also more likely to achieve more tangible success. These firms are more likely to create employment, reach an operational state as Nascent Firms, and have increased profit as Young Firms. This suggests founders are a good judge of their own firm. However, a firm's own survival perception does not accord with other perceptual success factors. Those firms that rate their survival more likely in five years are no happier with their ongoing venture performance, or experience of entrepreneurship, than those that do not. These findings suggest that survival perceptions are not the same as performance perceptions, despite the former being a good predictor of actual performance. What may be happening here is that a reduced satisfaction regarding ongoing performance is what drives actual performance to meet expectations.

The second perceptual variable is an estimate of the difficulty of venture creation in general in reference to other firms. The question behind this variable asked founders "in this research we are talking to hundreds of early stage start-ups/young businesses. If we were to take one hundred of them at random, how many do you think will be operating five years from now"? This perception of the business founding environment does not reflect in any tangible success factor. However, there is a link between this perception and a firm's experience should they exit. Those founders that perceive the task of entrepreneurship as less difficult, should they terminate their firms, are more likely to rate their experience negatively. Taken together, these founder perceptions indicate that firms are better informed of their own immediate situation than they are of general situation of those other firms with which they compete.

5. RESOURCES

This section explores the resources element in the CAUSEE model of venture creation. Resources may be thought of as the building blocks by which a venture is assembled. In this case we are referring to all the physical, financial, informational, social, and knowledge based resources that may be used during venture creation. The overall stock of resources available to the firm is grouped into four types: human capital; social capital; financial capital; and resource advantages. Human capital refers to the knowledge that a founding team may bring to venture creation. The main idea behind human capital as a resource is that increased knowledge will lead to better outcomes. Social capital refers to the different resources that are accessed through other people, and by association with others. The key concept being that social capital is beneficial as it allows firm founders to access more information upon which to base their decisions, and gives access to other benefits they otherwise would not have such as support and trust. Financial capital refers to the funds available to the firm founders to invest in their ventures, and the different sources

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by which they are gathered. Finally, resource advantage refers to the strategic resource position of the venture compared to their competitors. The idea behind this resource is that should a firm be able to gather together and nurture a unique pool of resources that other firms cannot, then they will be able to derive enhanced performance.

5.1 Human capital: education, experience and skills

Human capital is a concept drawn from economics which suggests that those who have access to more knowledge about a task will be able to perform that task more successfully than those who do not. It is a concept that has been rather widely applied to the study of management, organization and indeed entrepreneurship. The simple summary of the effects of human capital on venture success, as supported by the CAUSEE study, would be that experience based forms of this resource are more influential than general forms such as education (Table 7). However in the case of both education and experienced based human capital the effect can be either beneficial or detrimental to success.

The results shown in Table 7 are for a number of human capital measures relating to either education based knowledge or experience based knowledge. All factors were assessed using a venture level approach in line with the CAUSEE model. What this means is that the education and experience of all founders in the venture team were incorporated to give a value that represents the human capital of the whole venture, rather than the individual founders³. The first group of measures capture the general human capital of the firm as the total years of education possessed by the team, the presence of educational qualifications, and the breadth of education derived skills across different functional areas. The second group of measures capture a number of dimensions of experience based knowledge, either as direct experience of entrepreneurship, experience in the industry in which the venture is being established, prior employment, management and international experience, as well as the number of skills areas the team has experience in.

As for education based human capital, the strongest influence on venture success is the total years of education within the firm's founding team. A firm with increased education based human capital is more likely to create employment for others, and obtain higher levels of profit once established as a Young Firm. In part, this result may be attributed to larger and more educated teams attempting more ambitious ventures that would require employees in order to function, and aim for higher levels of profit. Nonetheless, the level of education within the team appears to assist these founders achieve these goals. Yet, education does not increase the likelihood of a Nascent Firm becoming operational, nor increase the likelihood of firm survival. This suggests that education based human capital, rather than assisting a firm through the early nascent stage of development, may be a determinant of enhanced success should they be able to navigate these crucial early stages. Evidence for this interpretation is also supported by the finding that those Nascent Firms

³ Note: Using the venture level approach, those firms that were being built by founder teams rather than individual entrepreneurs may have increased human capital due to their size.

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which include a founder who possesses a university degree are less likely to become operational than those who do not.

Table 7

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Human Capital: Education</i>						
Years education (team total)	none	++++	none	none	none	++
TAFE diploma in team	none	-	none	+	none	none
Higher degree in team	none	none	none	none	none	none
University degree in team	none	none	none	none	--	none
Education based skills (# areas)	none	none	none	none	none	none
<i>Human Capital: Experience</i>						
Prior entrepreneurship	--	none	none	none	none	none
Prior successful ventures (#)	++	none	none	none	none	none
Prior failed ventures (#)	--	none	none	none	none	none
Industry experience (yrs)	++++	+++	none	none	none	++
Management experience (yrs)	--	-	none	none	none	----
SME employment experience	none	none	none	+	none	+
Corporate experience	none	none	none	none	none	++++
Experience based skills (# areas)	none	none	none	none	++	none
International experience (yrs)	none	none	none	--	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

The influence of experience based human capital on venture success is more widespread than education based human capital. Different forms of experience variously enhance or diminish venture survival, employment, profitability in Young Firms, and the likelihood of Nascent Firms making consistent sales in the market. Of the different types of experience a firm founding team may possess, human capital derived from extended industry experience is particularly beneficial. Increased industry experience improves a

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venture's chance of survival; it increases the likelihood of employment generation, and allows Young Firms to derive larger profits. On the other hand, prior management experience tends to have the opposite effect, decreasing survival, and profitability, and perhaps even employment. The positive effect of industry experience is the easier of these opposing results to reconcile.

Findings suggest that the founder's specific knowledge and direct working experience of the area in which they aim to establish a firm is a critical success factor for their firm. However, this experience need not be at a managerial level in order to be beneficial. It is worth noting that the survey question upon which the management experience measure is based did not restrict the account of management experience to entrepreneurial venture or even the particular industry of their firm. Rather the question asked "how many years of experience in general management, supervision, or administration, if any, do you have"? Therefore this form of human capital, as management experience, is rather generic compared to experience of a specific industry. Should the firm founders' management experience be obtained by "working more than one year in a management position in a large corporation" (denoted corporate experience in the table) then the influence on venture success is positive. Specific corporate experience enhances the profit achieved by Young Firms. This effect is likely due to the more established Young Firms being able to draw more on established routines in order to improve their function, as is the case in larger corporate settings who rely on routines for efficiency.

A further series of results relating to prior entrepreneurship experience also support the view that it is the specific nature of the experience based human capital which improves success. If the mere presence of prior entrepreneurial experience is examined, results suggest that this may be detrimental to firm survival. Presumably, those who have had entrepreneurship experience are more inclined to terminate their firms should they not achieve their goals. Given that prior entrepreneurship experience does not increase the chances of a Nascent Firm becoming operational or a Young Firm's profitability this may well be the case. However, if the nature of the prior entrepreneurial experience is broken down by the level of success achieved, the results are far more informative. In the case that firms have founders who were more likely to have failed in the previous attempts at entrepreneurship (by not recouping costs) they will be more likely to terminate their current venture. Yet those firms with founders possessing prior successful entrepreneurship experience (previous firms made a profit) then they are less likely to terminate their current ventures. In all this seems to suggest that rather than guaranteeing future success, prior successful entrepreneurship experience can arm the founders with either the resources or the tenacity to survive. Prior unsuccessful entrepreneurship experience, on the other hand, seems to diminish this tenacity for survival in subsequent ventures. Therefore it is the specific quality of the experience based human capital that is important for venture success.

One final experience based human capital success factor is worthy of note, and that is the breadth of experience based skills. Findings indicate that should a Nascent Firm have

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access to an increased skill base that stretches across a number of different functional areas and was derived through prior experience, then they are more likely to reach an operational status. Although other human capital variables captured different depths of experience, none were established as drivers of early firm milestones such as becoming operational in the market. This finding is surprising given that experience based human capital has been established by other studies as an important determinant of venture success (Davidsson & Gordon, 2011). Rather, it is the different types of experienced based knowledge available to the firm which allow it to progress through its crucial early stages. This reflects the presumption that entrepreneurs need to be a ‘jack-of-all-trades’ in order to be successful (Lazear, 2005).

Table 8 breaks down human capital characteristics of the venture into separate functional/skill areas. This measured whether the venture had skill capacity in any or all of these functional areas, based on their educational background, experience or both. The overall result for this group of human capital variables is quite clear: they have little discernible effect on venture outcomes. This reflects the separate analysis of education and experience based skills areas assessed above. The only functional area that does have an effect is the skills for producing products or delivering service in the firms industry. A firm’s skill in the area of production/delivery afford an improved likelihood of becoming operational (in the case of Nascent Firms) and is associated with higher subjective assessment of firm performance. Given the prior result that an experience based breadth of skills is beneficial to progress through the venture creation process, it can be assumed that experience of production drives this effect.

Table 8

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Human Capital: Skills</i>						
Marketing/sales	none	none	none	none	none	none
Finance/accounting	none	none	none	none	none	none
Administration/HR	none	none	+	none	none	none
Development	none	none	none	none	none	none
Production	none	none	++	+	++	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++) denotes a 5 per cent confidence interval; (+++) denotes a 1 per cent confidence interval; (++++) denotes a 0.1 per cent confidence interval.

5.2 Social capital, network resources, information and advice

The following group of resource variables detail the social capital available to the firm, and the information sources used to guide their venture’s development. The first set of social capital variables relate to the presence of different social capital forms that either indicate 1) close social contacts that may provide support and encouragement (Coleman,

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1988); or 2) more distant social contacts that are likely to provide access to new types of information otherwise not available (Granovetter, 1973). The next set of social capital variables describe what type of resource is conferred on the firm by accessing their social contacts, for example the access to customers or a reputational benefit. A final set of social capital variables look at the information and advice a firm uses to help them and the sources from where they gather this information.

Table 9

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Social Capital</i>						
Team based venture	none	++++	none	none	none	none
Team size	none	none	none	none	none	none
Spouse in team	none	none	none	none	++	none
Relative in team	none	--	none	none	none	none
Colleague in team	none	none	none	none	none	none
Friend in team	none	---	none	none	none	none
Parents owned business	none	+	none	none	none	none
Institutional owners	+	+++	none	none	++	none
Non-owner helpers	none	+++	none	none	none	--
Joined trade association	++++	++++	none	none	++++	+
Joined online community	none	none	none	none	++	none
Joined business network	none	++	none	none	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

Table 9 summarises the effect of different social capital indicators on venture success. The briefest overview would be that social capital is mostly beneficial, as compared to human capital which in some instances can be a hindrance to success. One area where social capital does not benefit a new venture is in the case of employment creation should the firm owners have either a (non-spousal) relative or friend as part of their founding team. In general, team based firms are more likely to create employment for others. However, the size of the ownership team does not influence the success over and above the fact that there is more than one owner. This pattern of results suggests that familial or friendship based teams are quite different from generic team based ventures. One difference may be the ambitions of those firms, where family/friend owned firms may aim to build ventures

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less in need of hiring employees. Yet, these different types of firms are no less or more successful in other respects, such remaining viable, becoming operational or achieving profit. Findings also establish that having a parent who had previously owned their own business does not convey any increased chance of success on their founder children by way of being a role-model. However, going into business with your spouse seems to be useful in the early stages of entrepreneurship. Nascent Firms of this kind are more likely to become operational. In other ways, however, spousal firms are no more or less successful. In all, close relationship social capital resources seem to provide only a small level of support that enhances venture success.

Turning to instrumental and weak tie based social capital, the results suggest this form of resource is a better predictor of firm success than close tie social capital. A firm's ability to generate employment is enhanced by having non-owner helpers involved in the venture, and founders who are members of a trade association or business network. Firms that engage in these professional activities are probably more advanced than the average subsistence venture, and in turn are those that have a higher chance of attracting institutional ownership. In addition, institutional ownership will help founders complete the venture creation process and establish themselves as operational. This suggests that should external institutions take a stake in a firm they provide more support for the owners than merely injecting working capital.

One result regarding social capital that is difficult to account for is that having external helpers reduces the level of profit Young Firms achieve. There is no immediate reason why this should be so, especially given that helpers increase the probability of generating employment. Perhaps firms that engage helpers have significantly higher human resource requirements overall that increases employee pay overheads and in turn reduces profit. Yet, this explanation is purely conjecture that would require further analysis to assess. Accessing social capital through professional networking activities is beneficial for Nascent and Young Firms. Being able to mix with others in the same type of work or trade will assist a firm in surviving as well as helping a Nascent Firm establish itself. Even joining an online business community in order to discuss the venture, seek advice and support from likeminded founders is useful. Firms that engage in online communities are more likely to become operational.

Having a certain level of social capital makes it possible to access resources otherwise not available to the founding team should they not possess these social links. The following results relate to resources made available to the venture via the social contacts they have, either as part of the founding team, through employees in the firm, or other unpaid helpers that assist the firm to the success they achieve (Table 10). For instance, business reputation is a socially mediated resource that consistently enhances new venture success. A firm's business reputation improves their ability to survive, to make consistent sales in the market, and to create employment. In addition, those firms whose social contacts provide them with a reputational advantage are more likely to think their venture

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is performing well. Having access to funding made available through social contacts helps a firm to stave off termination, and increases their chance of creating employment. These results suggest that while socially accessed finances provides a resource baseline that facilitates venture persistence, reputational advantages are more likely to increase venture success, both real and perceived.

The pattern of results for having contact to customers provided by a firm’s founder, employees or helpers to their success is rather interesting. Customer contacts decrease venture survival, employment and founder’s rating of their experience should they terminate; while they also increase the chances of Nascent Firms becoming operational. It is not immediately clear why having access to customer contacts through the firm’s network would reduce survival and employment while increasing the likelihood of becoming operational in Nascent Firms. Further analysis would be required in order to assess the quality of the contact made in each case. However, this type of data is not available in the CAUSEE study.

Table 10

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Social Capital: Access</i>						
Customer contact	---	----	none	--	++++	none
Supplier contact	none	none	none	none	none	none
Funding access	+++	++++	none	none	none	none
Business reputation	++++	+++	+++	none	+++	+

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

Table 11 shows the influence that the different sources of advice used by a firm has on their success. Firstly an overall measure captures the diversity of information accessed by the firm as the total number of different sources used (of those listed below). Secondly we examine the influence that different origins of information used as a major resource (over 20 per cent) have on venture success. Regarding the total diversity of sources used, the influence on success is clear – there is little. The only result of note is that Nascent Firms which access more different types of information may have less chance of becoming operational. This may be due to conflicting advice they receive from the different sources paralysing progress in the venture creation process. This interpretation is enhanced by examining the results for each different source separately. Doing so reveals that the majority of effects that information sources have on success are positive. This means some particular information sources by themselves go some way to helping a venture achieve success, while in aggregate they can create confusion.

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Nascent firms that use their customers as a major source of information are more likely to reach an operational state than those who do not. This result concurs with the earlier result that access to customer contacts helps Nascent Firms in the same manner (Table 10). Yet, using customer information does not reduce survival or employment as was the case earlier. In all, this gives reason to question the results that socially accessed contact with customers may retard venture success.

Table 11

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Advice: Total sources</i>						
Sources of advice (#)	none	none	none	none	-	none
<i>Advice: Major sources</i>						
Family	none	none	none	none	+	none
Friends	none	none	none	none	++	none
External investors	none	none	none	none	none	none
Board members	none	none	none	none	none	none
Bank staff	+	++	none	none	none	none
Customers	+	none	+++	none	++	none
Suppliers	-	none	none	none	none	-
Accountant	++++	++++	+	none	++++	++
Lawyer	none	+	none	none	none	-
Government/other agency	none	none	none	none	none	none
Tax consultant	-	none	none	none	none	none
Commercial consultant	none	+	none	none	none	+
Internet	none	none	----	none	none	none
Business media	none	++	+	none	none	-

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

5.3 Financial capital and sources of funding

This section examines the influence that financial capital has on the success of new ventures. Firstly the financial position of the founders is assessed, along with important measures of the financial resources invested in their ventures. Then the sources of funding accessed by the firms and its overall influence on success is analysed.

As regards to the founder's initial financial position, there is some limited evidence that this contributes to success (Table 12). For instance, home ownership leads to a more favourable rating of the entrepreneurship experience for the founders of those firms that

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were terminated. This may indicate that home owners are more satisfied having their own home as an asset to rely on should they exit from their ventures. Although, in many circumstances home owners would also be mortgage holders, thus firm exit may also increase financial pressure should the business be a founder's only source of income. There is also an association between investment property ownership and Young Firm profitability. The research design ensures that the assessment of profitability occurs at a later time to the establishment of founder investment property ownership. However, it not clear that one necessarily leads to the other. There may be other mechanisms that intervene. In all, the relationship between financial position and firm success seems to be one of association rather than causation.

Table 12

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Financial Capital</i>						
Home owner	none	none	none	++	none	none
Own investment property	none	none	none	None	none	+++
Money invested at W1 (log \$)	++++	++++	none	None	none	none
Money invested after W1 (log \$)	++++	++++	none	None	++++	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

What is shown to be a more immediate driver of venture success is the financial capital invested in that venture (Table 12). This was captured using two variables. The first assessed the amount of money a firm had invested, from the time of their earliest activity until first sampled in the CAUSEE study. This variable gives a baseline level of financial investment for all firms, given that they will all be at varying stages of development at this point. The second variable captures the amount of money invested by the firm founders since the recruitment in the CAUSEE study. This variable will give an indication of the active financial investment by firm founders, across a uniform window of time. The results for the investment of financial capital are stark. Money invested in a firm leads to survival and to employment. The money invested during the process also leads to the venture becoming operational. The total financial resources invested in a venture is linked to the nature of the venture itself and its overall aspiration. Thus, financial capital is an indicator of the firm's ambition and size given that it relates to employment. Yet, financial capital is also a means by which venture termination may be resisted. However the most important result regarding the finances invested is that this will assist firms making progress through the nascent phase of venture creation.

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Table 13 presents results that link the source of funding applied to venture creation. The total number of different funding sources accessed by firms during founding does not convey a significant effect on tangible venture outcomes they might achieve. Founders that exit their venture having made use of many different sources are likely to rate their experience as a positive one compared to those who access fewer funding sources. This finding may indicate that using different funding sources allows a firm to spread the risk of loss should they terminate, and thus may influence their impression of their experience.

Table 13

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Finance: Total sources</i>						
Sources of finance (#)	none	+	none	++	none	none
<i>Finance: Major sources</i>						
Founder savings	-	----	--	none	none	--
Founder credit card	+++	none	none	none	+++	none
Founders other business	none	++	none	none	none	none
Government grants	++	none	none	none	none	none
Delayed supplier payment	none	++++	none	none	none	none
Advance customer payment	none	none	none	none	+++	--
Loan from family	none	none	none	none	none	none
Loan from friend	none	none	none	none	none	none
Secured personal loan	++	+	none	none	++	none
Personal overdraft	none	none	none	none	none	none
Secured business loan	none	++	none	none	+++	none
Business overdraft	++	+++	none	-	none	none
Other organization	none	++	-	none	none	none
Family ownership stake	none	-	none	none	none	none
Friend ownership stake	none	none	none	none	none	none
Angel funding	none	none	none	none	-	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

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Although the aggregate of funding sources used by firms does not guarantee entrepreneurial success, if each different funding source is examined some important results emerge (Table 13). The clearest result in this regard shows that should firms owners make use of their own savings in order to fuel their business they will enjoy less success in some regards. Firms funded by founder savings are less likely to employ others in their business, perhaps as a means of reducing costs. In addition, firms based on founder savings are perceived as having lower performance, and as Young Firms achieve less profit. The lesson to draw from these results on savings as a funding source for business venturing is that this is best avoided, if possible. Yet, in many situations this is unlikely to be achieved. It should be noted that the adage of using “family, friends, and fools” as a funding source does not make too much difference to venture outcomes. Although these types of funding source might be easier to access it is the more difficult and correspondingly those that signal legitimacy are aligned with success. A more flexible funding solution would be for a founder to draw on their own credit card to fund the business. Should a firm access founder credit card funding they are more able to resist exiting their firms, and more likely to complete the venture creation process. A number of other funding sources allow a firm to survive: personal loans, business overdrafts, and government grants. Results also show that government grants do not convey any further benefit than avoiding termination. Grants do not assist ventures complete the process and establish themselves in the market, or make higher levels of profit.

5.4 Resource advantages

An influential theory that aims to explain firm performance is called the ‘resource based view’ (Barney, 1991). The main idea behind this theory is that a firm may be described by the unique pool of resources they possess, and that they can derive a competitive advantage by focusing on the development of these unique resources. Table 14 summarises the influence of a number of different firm resource advantages upon venture success. The first seven measures are based on the level of agreement with statements indicating whether each of these areas provide a particular advantage for their firm compared to others. The final two measures capture the firm’s susceptibility to imitation by others and disadvantage relative to their competitors. The first of these measures is in reference to the firm’s most important resource advantage and its ability to be copied; and the second is in reference to the firm’s most significant disadvantage and its ability to be overcome.

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Table 14

RESOURCES	Surv	Empl	Perf	Exp	Oper	Prof
<i>Advantage</i>						
Marketing expertise	none	++++	none	none	none	none
Technical expertise	++	none	none	none	none	none
Cost structure	none	none	none	none	none	none
Flexibility	none	none	none	none	none	none
Opportunity alertness	none	none	-	---	+	none
Networking	none	none	++	none	none	none
Uniqueness	-	none	none	none	-	none
Inimitability advantage	++	+++	none	none	++	none
Inimitability disadvantage	none	+++	--	none	none	None

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/----) denotes a 0.1 per cent confidence interval.

Results from the CAUSEE study suggest that cost structure, flexibility, and uniqueness resource advantages offer no certain enhancement of firm success. In fact the uniqueness of resources may indicate a disadvantage for firm survival or make it more difficult for Nascent Firms to reach an operational state. This result concurs with the finding that the firms overall level of novelty may reduce the likelihood of survival and of becoming operational. The overall message seems to be that it is more difficult for firms that are more unique and more novel to establish themselves in the market. Yet, this does not mean that those firms which are unique and novel that are able to reach the market will be any less successful. Other types of resource advantage are found to be important predictors of some success factors. For example, those firms which are able to claim a marketing advantage are more likely to create employment for others. Firms that possess increased technical expertise compared to their competitors are more likely to survive. Those firms that do survive and have a networking advantage are more likely to rate their level of performance more highly than others. Firms that count their level of alertness to opportunities as an advantage are also somewhat more likely to make tougher assessments of their subjective performance, and rate their entrepreneurship experience negatively had they abandoned their venture. This suggests that a critical nature is a common thread between opportunity alertness and subjective assessments of entrepreneurial success.

The assessment of resource inimitability referred to the firm's specific advantage/disadvantage appear to be more consistent predictors of success than do levels of generic resource advantage. Should a firm's prime advantage compared to their

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competition be difficult to copy, then they are more likely to enjoy success. Firms with an enhanced inimitability advantage are more likely to survive, to create employment, and reach an operational state. Those firms that have disadvantages that are more easily overcome are more likely to create employment. However these same firms are less likely to rate their performance highly.

Overall, it appears that resource advantages are partial predictors of success in emerging new ventures. However the results are rather patchy with no single type of resource advantage exhibiting positive effects across all success measures. In fact most generic types of resource advantage are only reflected in one success indicator, if at all. Further, no resource advantage factors are linked to the profitability enjoyed by Young Firms. On the other hand, advantage that captures the very specific element represented as being the 'most important' to the firm is linked with success across a number of different measures. This confirms, in part, that specific intrinsic factors which define the firm are important predictors of the success they might achieve.

6. PROCESS

The following two sections (6 and 7) address the process element of the CAUSEE model of venture creation. Process examines the specific things entrepreneurs do in order to establish their ventures, and help them grow and become more profitable. If the resources element comprises the building blocks of a new venture, and the venture element is what is being attempted to be built, the process element of the model refers to how the building blocks are put together. Section 6 examines the thinking and behaviour that influence all types of firm, nascent or young. Then section 7 takes a closer look at the actions that happen prior to the firm being established in the market, by focusing specifically on Nascent Firms.

The following section proceeds as follows. First we look at the business planning behaviour engaged in by entrepreneurs, and whether this type of guiding tool makes a difference to the success they achieve. Next, we take into account more adaptive behaviours where the entrepreneur may make changes to the venture concept or the founding team in order to enhance performance. The goal is to assess whether the changes made meet with the success they aim for. The final type of process issue examined in this section relates to the decisions and behaviours of the firm as they proceed. This addresses whether the founders come to enter into entrepreneurship, their decision making style, other business activities, and frugal resource use makes a difference to the venturing outcomes they achieve.

6.1 Business planning

The effects that different aspects of business planning have on venture success offers clear evidence that the form and intent of the plan is more important than its mere existence (Table 15). The first thing to note from the CAUSEE study is that having a business

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plan or not has no influence whatsoever on success. Firms that possess a business plan are no more likely to survive, to create employment, to trade in the market or to have increase profit than those who do not. Moreover, having a plan does not enhance the founder's perception of firm performance or their assessment of the entrepreneurship experience should they abandon their firm. Yet, for those firms who do plan, should they create a formal document to capture their plan or actively revise their plan they will likely experience greater success. Having a plan that is revised by the founders helps a Nascent Firm achieve an operational state, and employ others. Plan revision also increases a firm's ability to stave off termination. A similarly positive effect is found for plan formalisation. Firms that go to the effort to encode their business plan as a formal document are more likely to survive, and more likely to create employment.

Table 15

PROCESS	Surv	Empl	Perf	Exp	Oper	Prof
<i>Business planning</i>						
Business plan exists	none	none	none	none	none	none
Business plan revised	+	++++	none	none	+++	none
Business plan formalized	+++	++++	none	none	none	none
<i>Plan usage</i>						
Action plan	-	--	none	none	--	none
Funding application	none	none	none	none	--	-
Thinking tool	none	none	none	none	+	none
Communication tool	-	none	none	none	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

It is difficult to make sense of the results which link how a business plan is used to venture success. These variables capture the weighting given to different business plan uses by those firms who create a business plan; either to guide their actions, seek funding, to help them think, or to communicate with others. What stands out is that no single type of business plan use offers a distinct success benefit compared to others. It would seem that those firms who rely on their business plan as a means to gain external funding are not ensured of successful venture creation. However, rather than being attributed to the business plan per se, those firms for which external funding is a high priority may face difficulty should they not receive the funding they require. What little positive effects there are for business plan uses indicate that having a plan as a thinking tool may be linked with

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ventures being able to reach an operational state. However, should the business plan be used as an action plan within the firm they are less likely to become operational, or create employment. These results seem counter to the finding above that plan revision promotes both these success factors. Together these results may be interpreted as business planning not being a step-by-step action plan that ensures venture creation success, but something that is a benefit should it be followed flexibly. This poses somewhat of a conundrum: that planning is more useful if the plan is adapted to the circumstances, rather than the actions adhere to the plan. The next section goes on to explore other concepts that represent a flexible venture creation process.

6.2 Venture changes

An often cited reason for the success of new firms is that they are nimble and able to react quickly to their environment. This new firm nimbleness compares favourably to older ventures which are more likely captive of their own routines and thus exhibit an inertia which makes changes harder to implement. The variables explored in this section relate to the changes Nascent and Young Firms are able to make as they develop.

Table 16

PROCESS	Surv	Empl	Perf	Exp	Oper	Prof
<i>Changes</i>						
Ownership changes	+++	++++	+++	none	+++	none
<i>Venture idea change</i>						
Product/service	none	none	none	none	none	-
Promotion/selling	++	+	+	none	none	none
Producing/sourcing	none	++++	none	none	none	none
Market/customer	none	none	none	none	none	--

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/--) denotes a 5 per cent confidence interval; (+++/--) denotes a 1 per cent confidence interval; (++++/--) denotes a 0.1 per cent confidence interval.

One obvious way a new entrepreneurial venture can change is by changing its owners. Although, over 90 per cent of firms do not change owners, should they choose to, their decision can be decisive. Changing ownership in early stage firms allows the venture to re-allocate effort, re-invigorate, and remove what may have been blockages to its progress. Results suggest this is exactly the case (Table 16). Those ventures that change their ownership team at some stage of the venture creation process are more likely to survive and thrive. Firms with changed ownership are more likely to create employment for others, are more likely to rate their subjective performance positively, and more likely to reach an operational status should they be in the nascent stage of development. Assuming that changes to ownership are seen as positive (e.g. if it removes a 'problem' owner or bring in 'new blood') it is not surprising that subjective performance is rated highly. Yet, changing

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owners also enables more concrete success at early stages of venture development, allowing them to remain viable and to make progress. That results are consistently positive and exhibit a high level of statistical certainty gives cause to accept that changing owners is a robust success factor. However given that ownership change for Young Firms does not affect their level of profit, it can be inferred that later ownership changes do not have as great an impact as those made during firm emergence.

Entrepreneurship has been described as the nexus between the individual and the opportunity (Shane, 2003). This concept captures the fact that both the people creating a new venture and just what their new venture aims to do are both important components. Ownership change looks at changes to the individual involved in the venture, the remaining variables look at the 'opportunity' side of the nexus. A series of four variables captured changes made to different aspects of the business idea that form the basis of the venture. The four different aspects mirror those which describe the novelty of the venture idea (as discussed previously). The venture may make changes to 1) the product or service they intend to offer; 2) their form of promotion or selling; 3) the method used for producing products or sourcing services; or 4) the markets or customers they aim to reach. The first and last of these aspects of venture idea change are perhaps the most substantive indicators of the venture concept: what it is (product/service) and who it targets (market/customer). Making changes to either of these is seen to be detrimental to Young Firm profitability, although for product/service change this negative effect is somewhat uncertain. However, making change to how the venture delivers its concept either by altering how it produces/sources or how it promotes/sells can have a positive effect on success. Changing production is associated with the venture creating employment. This may be due to different production methods requiring new skills to be brought in to the firm in order to deliver, and that this need may be best met by employing staff. Changing promotion/selling is associated with venture survival, and less strongly with employment and subjective performance. In all, changes to the venture idea may impact on venture success in a negative manner should the changes alter the core concept, and in a positive manner should the changes alter concept delivery.

6.3 Decisions and behaviour during the process

This group of variables captures different aspects of the venture creation process as decision and behaviour (Table 17). With regard to the decisions made: three variables assess how the venture creation process was initiated. Having different reasons for entry into the process may affect the way entrepreneurship is conducted and the outcomes derived from it. The first of these variables captures whether entrepreneurship began with a desire to capture an opportunity or was made out of necessity in order to support one-self. Results here are not surprising; those firms that enter the process out of necessity are less likely to derive increased profit. Put differently, those that enter the process in order to capture opportunity are more likely to have increased profit.

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Table 17

PROCESS	Surv	Empl	Perf	Exp	Oper	Prof
Decisions						
Necessity entrepreneurship	none	none	none	none	none	---
Specific idea triggered process	none	none	--	none	none	none
Bus. ownership aim triggered proc.	none	none	---	none	none	none
Effectuation decision making	--	---	none	none	--	---
Behaviours						
Concurrent ventures	none	++++	none	none	none	none
Bricolage behaviour	none	+++	+	++	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

The next two items draw on research by Bhawe (1994) who suggested that entrepreneurship may begin by: 1) a predetermined desire to own one's own business, followed by a process which seeks out a business idea that makes this possible; or 2) an idea that is sometime later realised to be a potential new business which is pursued by the entrepreneur. The alternate to these two options is that these two events coincided; that is, the business idea and desire to start a business happened at the same time. The extant data suggest that if either of the first two is true the effect on subjective performance assessment is negative. Rather, should these events coincide (spontaneously or not) then enhanced ratings of performance are likely.

The final decision variable relating to process assesses the use of effectual decision making strategies, as opposed to causal decision making strategies (Sarasvathy, 2001). The theory of effectuation is a relatively popular concept in entrepreneurship that suggests expert entrepreneurs are more likely to make iterative decisions about venture creation, and make use of what they already know (effectuation) rather than follow pre-planned strategies that decide on a goal and work toward it (causation). The measure used to assess effectuation is a double ended one where low values indicate causation is the dominant logic, and high values indicate effectuation decision making is favoured. Although the theory does not necessarily set these factors in opposition, we can still make some sense of the results. The analyses show that firms which follow a more causal logic will achieve greater tangible success. Firms that employ a goal directed causal decision making strategy are more likely to survive, and become operational, as well as create employment and earn increased profit.

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The final two items in this group focus on the firm founder's behaviour during venture creation. Prior research has shown that higher performing entrepreneurs sometimes act by creating multiple ventures (Alsos & Kolvereid, 1998; Ucbasaran, Westhead, & Wright, 2006). One way this might happen is by creating multiple firms one after the other; this is a phenomenon known as serial entrepreneurship. Serial entrepreneurship can contribute to the entrepreneur's experience based knowledge; and has been discussed earlier in this paper as a component of the human capital resources available to the firm. Another form of multiple venture entrepreneurship is to engage in multiple businesses at the same time, or concurrent venturing. Starting multiple ventures may create either a performance advantage or be detrimental to success. On the negative, the effort required to start more than one firm is greater, and consequently the time available to be divided amongst these firms by the founders is less. A positive effect may be that resources and processes may be shared between the firms to create some efficiency not obtainable otherwise. Although the CAUSEE study does not reveal that concurrent venturing results in reduced success, there is some evidence that it offers a benefit. Those firms whose founders are also engaged in other business ventures are more likely to create employment in their firm.

Bricolage is another behavioural aspect that may occur during the venture creation process. Bricolage is a concept that relates to the resource use behaviours a firm may engage in by 1) being frugal with their resources using those at hand and by making do; or 2) by combining resources together to create new possibilities (Baker & Nelson, 2005). The idea is that firms which engage in bricolage will derive a performance increase as a result. In the first instance the CAUSEE data suggest that those firms that engage in bricolage have a more positive experience should they quit, and rate their subjective performance higher when they remain ongoing. This is probably due to the increased resourcefulness these firms display when employing bricolage behaviour. This will mean that firms have reduced their risk profile overall, and accordingly they derive increased resource efficiency that enhances their perception of performance. An interesting result however is that those firms which use bricolage are more likely to create employment for others. In some respects this contradicts the notion of bricolage should it be interpreted that 'making do', means making do with the firms founders alone. What is likely, however, is that firm frugality through bricolage allows the venture a performance boost that makes employment more viable, or even necessary.

7. GESTATION PROCESS

This section presents more results on the influence of factors in the process element of the CAUSEE model for venture creation. Specifically, these variables capture data on the actions taken during the pre-operational, or nascent stage of venture creation. This part of the venture creation process may be thought of as 'gestation' which takes the emerging firm from a mere idea to a newly established business trading in the market.

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Given that actions relating to the gestation process are only applicable to Nascent Firms, data presented here does not include the Young Firm sample of the CAUSEE study, nor the corresponding profit success factor.

7.1 Fundamental dimensions of new venture gestation

Results in Table 18 are for two fundamental dimensions of the venture creation process of Nascent Firms. The first dimension is the time taken for venture creation; the second dimension is the amount of action required for venture creation. The amount of action is determined by the number of different venture creation activities completed by the Nascent Firm as they establish themselves⁴. One finding is clear regarding both dimensions: that it is the time and action invested into venture creation which makes the most important difference to venture success.

Table 18

GESTATION PROCESS	Surv	Empl	Perf	Exp	Oper
<i>Fundamental dimensions:</i>					
<i>Time</i>					
Months since first action (at W1)	none	none	none	none	none
Time invested at W1 (log hrs)	+	none	none	none	--
Time invested since W1 (log hrs)	++++	none	none	none	+++
<i>Fundamental dimensions:</i>					
<i>Action</i>					
Actions completed at W1	++++	++++	none	none	++++
Actions completed since W1	none	++++	+++	none	++++

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

The first two time variables capture the state of venture creation at the time of entry in to the CAUSEE study in terms of the length of time it had been in progress (months since first action) and the effort invested to date (time invested at W1). The length of time has no influence on the venture success, while the time invested up to entry exhibits a negative effect on reaching operational status. This means that those firms that had been attempting venture creation for a long time on entry into the CAUSEE study are less likely to become operational. Compared to this baseline value the time invested since entry into the study has a significant positive effect upon venture survival, and on reaching operational status. This result confirms that the work effort invested into the venture creation process is

⁴ A list of individually influential venture creation activities is listed in Table 20. The measure used in this analysis sums together how many of these were completed.

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a key determinant of success. Active Nascent Firms that have more time invested in them by their owners are more likely to survive and are more likely to make consistent sales in the market.

The number of venture creation actions completed by the founding team has a strong positive influence on Nascent Firm success. The more active a firm is during venture creation the more likely they are to survive, the more likely they are to create employment for others, and the more likely they are to reach an operational state. In addition, higher levels of venture activity are positively related to the subjective assessment of venture performance. In other words, the founders of more active ventures think they are doing better, and given the positive effect on substantive success factors, they are correct.

7.2 Dynamics of the venture creation process

By combining the fundamental dimensions of time and action it is possible to derive dynamic measures of the venture creation process which examine how the process changes as it plays out. The analysis in this section relates to two of these types of properties for the venture creation process: temporal dynamics, and action order. The first of these captures the intensity of venture creation actions during gestation (rate of venture action) as well as the timing of venture creation action. The second of these captures venture creation in terms of two different types of action, discovery and exploitation. Discovery action relates to the conceptual side of venture creation and the generation of a fully established venture idea. On the other hand, exploitation action related to the concrete behavioural steps taken to set up the new venture.

Table 19

GESTATION PROCESS	Surv	Empl	Perf	Exp	Oper
<i>Action dynamics</i>					
Rate of venture action (act/month)	---	none	none	none	none
Timing of venture action (early/late)	---	none	none	none	none
<i>Action order</i>					
Action sequence type 2	++++	++++	-	none	++++
Action sequence type 3	++++	++++	none	none	++++
Action sequence type 4	++++	++++	none	none	++++
Forwards process order	++	none	none	none	++
Backwards process order	none	none	none	none	++

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

Both temporal dynamics measures of action have a negative influence on the survival of the Nascent Firm (Table 19). These results are somewhat difficult to reconcile

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given the pre-conceived notions that they should have the opposite effect. Prior research has shown that ventures that are engaged with a higher rate of action, and those that exhibit later timing of their actions are more likely to have improved outcomes (Lichtenstein, Carter, Dooley, & Gartner, 2007)⁵. What the results also show is that these dynamic measures do not influence any success factors beyond venture survival. It is somewhat easier to interpret these findings as the rate and timing of venture dynamics up until a venture is abandoned. Ventures that move through their process at a higher rate and do so with more emphasis early will be more able to assess the likely ultimate fate of their efforts. In the case of poor venture ideas that do not meet market acceptance, firms will be better placed to make the decision to quit their venture. While there is no positive effect on firms reaching an operational state associated with these dynamic measures, we may accept that a high rate and early timing of action bringing a firm more rapidly through their process (even when eventually abandoned) as being beneficial.

With regard to the order of actions, at first glance, the results seem far more encouraging than those for the dynamics variables just discussed. Firstly, an explanation of the different variables used in this analysis is required. The “action sequence type” variables indicate the similarity of the process’ sequence of discovery and exploitation actions to one of four different types. This classification is identical to the four different sequence types used as in the process paper (number seven) of this series (Australian Centre for Entrepreneurship Research, 2012b). Briefly these sequence types are: 1) a shorter sequence of actions which consists mainly of discovery followed by exploitation⁶; 2) a longer sequence of actions which consists of early discovery actions and later exploitation actions intervened by a balanced mix where these two types of action occur together; 3) another longer sequence of actions which has early discovery, a short period of co-occurring discovery and exploitation followed by an extended period of exploitation action; 4) a long sequence of actions which is characterised almost exclusively by simultaneous discovery and exploitation, except at the very start and end where discovery and exploitation occur. What these three variables capture is the order in which discovery and exploitation actions are taken during the venture creation process and whether this is more like sequence type 2, type 3, or type 4. The results of this analysis show that all three different sequence order types achieve similar forms of venture creation success. All sequences are more likely to see firms survive, become operational, and generate employment. To interpret what this means it is necessary to assess what these sequence types have in common with each other, and how they differ from sequence type 1. The clearest answer to this is that each of these sequences are more likely longer than that of sequence 1, and more likely to include a period of action in the middle of the process where discovery and exploitation actions happen at the same time. Thus, we may deduce that longer, or more active, sequences are

⁵ Note: Analysis of venture creation dynamics includes cases that remain ongoing at the end of the CAUSEE study, as well as those terminated or ultimately established as operational. In prior research this class of start-up was excluded from the analysis of venture creation rate and timing, thus the results presented here may diverge as a result of this method difference.

⁶ Note: Sequence type 1 is not included specifically in the analysis, but used as a comparison category for the other three sequence types. This is necessary in order to ensure solvability for each regression analysis.

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more successful. This effectively replicates the finding above that more active ventures are also more likely to survive, become operational, and employ. In addition, we might conclude that simultaneous discovery and exploitation is a beneficial way of acting in the venture creation process.

Finally, the “forwards/backwards process order” variables capture the number of transitions in the venture creation process where the type of action switches from discovery to exploitation (forwards) or from exploitation to discovery (backwards). In a nutshell this gives us an idea about how the firm reconsiders or adapts their venture concept in order to make their venture more likely successful in the long run. The results seem to confirm that this is as expected. Those firms which are able to make the transition from discovery, or the conceptual side of the venture, to exploitation are less likely to terminate their attempt and more likely to become operational. This means that firms will have made the determination that their venture idea is sound, and not one to be abandoned, and making that decision brings them closer to being able to make an impact in the market. Yet, those firms that move backward in their process are also more likely to become operational as they will have been able to adapt their venture idea to something that has more chance of success. What seems to be most important, however, is that both of these types of transition occur during the process, that it keeps making progress toward its goal, and that it is also prepared to adapt that goal if need be.

7.3 Influence of specific actions

This final section in our examination of the gestation process breaks this process down, compared to what has been analysed so far. The process is separated into the individual actions that make up venture creation. What Table 20 does is summarise the influence each action (in isolation) has on venture success. For ease of comparison we group these as the discovery and exploitation type actions (as discussed above), as well other actions that represent neither discovery nor exploitation.

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Table 20⁷

GESTATION PROCESS	Surv	Empl	Perf	Exp	Oper
<i>Discrete actions:</i>					
<i>Discovery</i>					
Developed proprietary tech.	+	none	+	none	none
Commenced customer discussions	--	none	none	none	none
Defined market opportunities	none	---	none	none	none
<i>Discrete actions: Exploitation</i>					
Registered business name	none	--	none	--	none
Decided location for business	none	-	none	none	none
Established legal form	none	++	none	none	none
Signed ownership agreement	none	none	none	none	--
Began marketing	none	none	none	none	+
Leased major facilities	++	++	none	none	++
Purchased liability insurance	++	none	++	none	++
Registered ABN	none	none	none	none	+
Registered for PAYG tax	none	++++	none	none	++
Established supplier credit	none	++	none	none	none
Opened bank account	none	++	none	++	+++
Invested own money	---	none	none	none	none
Retained an accountant	none	none	none	none	+++
Retained a lawyer	none	none	none	none	---
Made business contactable	none	none	none	none	++
Created business website	none	++	---	none	+
<i>Discrete actions: Other</i>					
Devoted full-time effort	++	++++	none	none	none
Joined trade association	++	none	--	none	none
Joined business network	---	none	none	none	none

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship.

⁷ The following 12 actions were not associated with any venture creation success factors: *Discovery* - Collected competitor information, Produced financial projections, Began developing business plan, Began product development, Determined regulations; *Exploitation* - Applied for IP protection, Purchased inventory, Registered for GST, Sought outside funding, Received government assistance; *Other* - Joined online community, Took business classes. These actions and are not listed above in order to save space.

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What is first apparent from looking at whether individual actions influence success, is that no single action can secure all forms of success analysed. In fact most of them are only associated with a single success factor. Indeed many discrete actions are not associated with success at all (footnote 7). Another overall finding from this analysis is that there are many more exploitation type action predictors of success than there are discovery type predictors. Those individual discovery actions that are associated with success factors likely predict less success than more, and none at all ensure that a venture will become operational. On the other hand there are many more exploitation actions that are associated with success, most positively so, and many are associated with a firm becoming operational.

Two discovery type actions are associated with success: having discussion with customers sees firms less likely to survive, and defining market opportunities means firms are less likely to employ others. Given that customer discussion is not negatively associated with becoming operational, we can assume that should customer discussions reveal issues with market acceptance for a firm's product or service that they will abandon a firm likely to perform poorly in the future. The alternate that having customer discussions is of itself detrimental to firm success is difficult to accept. However, the finding that opportunity definition is associated with less likely employment is rather more difficult to reconcile.

Turning to individual exploitation actions associated with success; another difficult to interpret result is that business registration is less rather than more associated with ventures that create employment. It might usually be assumed that more formal ventures that are likely to have registered their business name would be the ones that were associated with employment creation. However, other results make more sense. Firms that had leased major equipment or purchased liability insurance are more likely to survive, compared to those who had invested their own money who were not likely to survive. Equipment leasing is also a predictor of employment and a venture establishing itself in the market as operational. Indeed this type of exploitation action may occur later in the venture creation process as the firm is closer to becoming fully established in its own right. This is also the case for the purchase of liability insurance. It is not at all surprising that PAYG tax registration is associated with a firm being more likely to have created employment. Yet, this is also associated with becoming operational. Other actions that indicate successful establishment of consistent market trading for an emerging venture are: if they have made themselves contactable by customers, opened a bank account, and hired an accountant. However, the opposite is true should they have had need to hire a lawyer. These firms are less likely to have established themselves as operational. While the creation of a website for the business is associated with venture employment, it is also associated with lower assessment of subjective performance.

Firms whose founders devote to the business full-time are more likely to survive, and create employment than those who do not. Other actions that are associated with success are joining a trade association, and joining a business network. These actions are

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things that had been classed as social capital in earlier analyses in this paper. Indeed they may be considered so, with prior analyses including Young Firms also. However, in this analysis only Nascent Firms are assessed, and some differences are established. For all firms, joining a trade association is linked to venture survival; yet, for Nascent Firms this activity is also associated with reduced perceptions of performance. This pattern of results suggests that while trade associations may provide the support for emerging ventures to continue, they also provide a gauge that brings the founders own firm performance into focus compared with others. Earlier analyses of trade association membership linked this to firms becoming operational compared with firms with other social capital measures that did not. This analysis pits many other actions as predictors of becoming operational, this result does not hold up. Nascent Firms that join a business network are less likely to survive than those who do not. When Young Firms were included in the assessment of business network membership against other social capital measures the results were not significant. This indicates that for Nascent Firms early business networking behaviour may divert focus from their efforts to get their firm up and running.

In summary, the assessment of individual actions reveals many predictors of venture success, both positive and negative. However, a number of these seem counter-intuitive, while others are as you would expect. That many of these associations do not offer consistent evidence of strong association with multiple success factors suggests that assessing individual actions is fraught with issues. As we have seen earlier in this section on the gestation process, what proves to be more robust and stable predictors of venture success are aggregate collections of actions.

8. VENTURE ENVIRONMENT

The influences of factors which describe the venture environment on venture outcomes are presented in Table 21. Information on the firm's immediate business environment was drawn from their geographic location in Australia, and the industry sector in which they participate. For the first set of variables the location within one of Australia five largest cities was contrasted against a reference category which collated all other urban/regional areas. Industry information was grouped into categories for the most prevalent in the CAUSEE sample (those with a greater than 5 per cent proportion) and compared against a collective reference category which captured all others.

Regarding location, a number of results attract comment. Firstly, Australia's two largest cities Sydney or Melbourne do not greatly assist nor hinder the performance of Nascent and Young Firms. There is a statistically uncertain link which suggests Sydney may be an environment where bringing a Nascent Firm to operational status is slightly harder than other cities. However, Adelaide also exhibits this unwelcome influence on venture outcomes. Further, the results for Adelaide based firms seem to be a bit more consistent, and negative. Adelaide based firms as well as being less likely to become operational are also less likely to survive at all.

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Table 21

ENVIRONMENT	Surv	Empl	Perf	Exp	Oper	Prof
<i>Location</i>						
Sydney	none	none	none	none	-	none
Melbourne	none	none	none	none	none	none
Brisbane	none	+++	-	none	none	none
Adelaide	-	--	none	none	--	none
Perth	none	none	none	++	none	none
<i>Industry</i>						
Retail	---	none	none	none	none	--
Consumer services	none	---	none	none	none	none
Health & social	none	none	++	none	+	none
Manufacturing	--	--	none	none	none	none
Construction	none	++	+	none	none	+
Agriculture	none	none	+	none	none	none
Business consulting	none	none	none	none	none	++

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-- denotes a 5 per cent confidence interval; (+++)-- denotes a 1 per cent confidence interval; (++++)/-- denotes a 0.1 per cent confidence interval.

The outlook for the capital cities in the mining states of Queensland and Western Australia is more inviting for new firms. Brisbane based firms are more likely to generate employment for others. Perth based firms are more likely to rate their terminated venture experience positively. The former may be attributed to the increased interstate migration into Queensland, and the latter may be due to Perth entrepreneurs being more able to readily find alternate work after quitting their business, due to the enhanced economic climate. However both results should be treated with caution as they are one off indicators of success, and are not mirrored in any other success measures analysed.

Industry influence on venture success is also mixed. The simple message might be that the Retail, Consumer Services, and Manufacturing industries are more difficult in which to derive success, while the Construction and Business Consulting industries are easier. Looking more closely at these results reveals some plausible reasons for this assessment. First, however, it is useful to recall the setting in which the CAUSEE study was conducted. The initial recruitment into the CAUSEE study took place during 2007 into early 2008 against the backdrop of a healthy economy and enhanced activity in retail and construction industries. The study ran with annual follow ups over the next three years to 2010-11. About half way through the second wave of data collection, the Global Financial Crisis (GFC) struck. While this major economic event may not have had immediate, direct, nor universal effects on the businesses success factors (Davidsson & Gordon, 2012) during this period, none the less any interpretation of the business environment should bear in mind the GFC.

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Firms in the Retail industry have decreased success in terms of survival, and profitability. This statement could equally well be made prior to the GFC, as after it. Retail is a highly competitive industry with low barriers to entry and small profit margins. The CAUSEE data seem to reflect just that. Consumer services firms are less likely to hire employees than other industries. One possible reason for this is that this type of firm is more likely to be the undertaking of a solo entrepreneur, rather than a team based venture. Manufacturing firms are less likely to survive or to generate employment compared with other industries. Rather than be attributed to the GFC this effect is likely due to the depressed nature of manufacturing in general, and the over representation of part-time manufacturing firms found in the CAUSEE study.

Turning to the two industries that have a positive effect on venture success – Construction, Business Consulting, the results also suggest the inherent nature of the industry be the main reasons for the results rather than any link to the GFC. CAUSEE data suggest that the Business Consulting industry is more likely to be profitable than other industries, and this is likely due to the lower overheads possible in this industry. Construction on the other hand has an increased propensity to generate employment. In part this will be due to the elevated housing market activity in Australia over this period. Although there was some softening in this area, post GFC spending by the federal government was directed to support this sector of the economy in particular. Therefore, if there is any link between post GFC conditions and this analysis of the CAUSEE environment data, then the Construction industry is likely to exhibit it.

9. NEW VENTURE SUCCESS FACTORS

Having examined each separate element (venture, resources, process, and environment) of the CAUSEE model of venture creation for potential factors associated with venture success, the remainder of this paper brings these elements together. The CAUSEE model works such that each element plays an important role in describing venture creation; therefore it is necessary that they are combined and analysed together. The idea is to pit success predictors from each element against the other to identify those most strongly associated with success. To do this we derive separate models for each of the six venture creation success factors: survival, employment, subjective performance, entrepreneurial experience, becoming operational, and level of profit. In addition, for each of these success factor models we look at an overall model, and one that breaks the results down by time. The analysis by time looks at each individual outcome wave of the study (W2, W3, and W4). Doing this allows us to identify patterns in the drivers of success as they change over time. However, the selection of the primary predictors of success is based on the pooled analysis which groups all waves together. Therefore, we can identify the strongest overall predictors of success which remain consistent over waves of the CAUSEE study. In addition, the pooled analysis highlights results that may be consistent over time yet not strong enough to appear as significant predictors in the separate analyses by wave, but are so in aggregate. The

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discussion of results will mainly concern itself with interpretation of these overall predictors, but will make some reference to the analysis by waves where it is useful to do so.

9.1 Drivers of venture survival

The first success factor analysed in the overall CAUSEE model analysis is venture survival. Results for the survival model are presented in Table 22.

Table 22⁸

SURVIVAL	Pool ed	W2	W3	W4
<i>Environment</i>				
Retail	none	none	++	none
<i>Venture</i>				
Services	+++	none	+++	++
Family business	none	none	++	none
Franchise	--	none	-	--
Brick & mortar venture	+	+++	none	none
Developed proprietary tech.	++++	none	++++	none
Novelty - market/customer	--	none	-	none
Own survival perception (%)	+++	none	++	none
<i>Resources</i>				
Inimitability advantage	none	++	none	none
Prior failed ventures (#)	---	--	none	none
Customer contact	----	----	----	---
Money invested after W1 (log \$)	++++	none	++++	none
Government grants	+	none	none	none
<i>Process</i>				
Business plan formalized	+	none	none	none
Ownership changes	+++	none	none	none

Note: Outcome abbreviations - *Pooled*: overall venture survival across W2, W3 & W4; *W2*: venture survival at W2; *W3*: venture survival at W3; *W4*: venture survival at W4. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++) denotes a 5 per cent confidence interval; (+++/---) denotes a 1 per cent confidence interval; (++++/----) denotes a 0.1 per cent confidence interval.

⁸ Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall survival model: *Environment* - Manufacturing; *Venture* - Legal form - Sole trader, Legal form - Partnership, Legal form - Pty Ltd company, Non-home based venture; *Resources* - Industry experience, Joined trade association; *Process* - Effectuation decision making.

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The clear result from the analysis of survival is that which may be attributed mostly to the type of venture and resources available to that venture. Interestingly, the environment does not influence venture survival greatly, rather, attributes that are internal to the firm hold greater sway. However, this link between internal attributes of the firm and survival does not include many factors associated with what the firm actually does. Rather, survival seems to be linked more with what a firm is (venture) and what a firm has (resources). The simplest interpretation of this may be that venture survival is driven by the trade off between what a firm aspires to be, and the resources it needs to get there.

An example of this interpretation may be that service based firms are more likely to survive than are product based firms (which would likely require more resources to maintain). This divergence between product and service based firms becomes more and more stark over time. Another interesting trade-off sees proprietary technology enhance venture survival, while bringing more novel venture ideas to the market decreases it. What appears to have the strongest association with venture survival is the money invested into it, and the belief that the firm is performing well. This finding makes perfect sense. Money is able to keep a venture alive, and confidence in the firm's success reinforces that commitment to continue investing in it. It also stands to reason that those founders who have had more failures in their prior businesses will continue to have difficulty in their future ventures. As a result, these prior failed entrepreneurs are less likely to have their current venture survive. In addition, founders who are prepared to make changes to the firm's ownership team stand a better chance of survival. One finding that is puzzling, however, is that having accessed customer contacts through a firm's social network reduces the likelihood of survival.

Table 23

I NCREASES SURVI VAL	D ECREASES SURVI VAL
<i>Venture</i> Servi ces Devel oped propri etary tech. Own survi val percepti on <i>Resources</i> Money i nvested after W1 <i>Process</i> Ownshi p changes	<i>Venture</i> Franchi se Novel ty - market/customer <i>Resources</i> Pri or fail ed ventures Customer contact

There are some factors that are positively associated with venture survival, yet are diminished in the presence of stronger predictors such as the money invested. For example, brick-and-mortar ventures are somewhat more likely to survive. Particularly early on in the process, being a brick and mortar venture matters for survival, yet over time this is less important. Presumably this is because other ventures establish legitimacy for themselves as they progress, and network mediated sales come online. Having access to government grants is another factor that weakly predicts venture survival.

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In all, it would seem that motivated, active founders prepared to invest in their ventures, develop their own technology, and make changes if needed will be the ones most likely to survive (Table 23); especially should they aim to deliver a service to the market. In comparison, firms that only have poor prior experience to guide their current business efforts, and engage in either system based firms like franchises, or ones that are too novel to gain market acceptance will be less able to survive.

9.2 Drivers of venture employment

Table 24 presents the important predictors of new venture employment creation identified in the CAUSEE study.

Table 24⁹

EMPLOYMENT	Pool ed	W2	W3	W4
<i>Environment</i>				
Brisbane	+++	++	none	none
Consumer services	---	none	none	none
Manufacturing	---	--	--	none
Construction	+	none	none	none
<i>Venture</i>				
Legal form - Pty Ltd company	++	none	none	none
Non-home based venture	++++	++++	++++	++++
Brick & mortar venture	++	+	none	none
Developed proprietary tech.	+++	++	none	++
Own survival perception (%)	+++	+	++	++
<i>Resources</i>				
Customer contact	----	---	---	---
Money invested at W1 (log \$)	++++	+++	+++	none
Money invested after W1 (log \$)	++++	+++	none	none
Founder savings	---	---	--	none
Delayed supplier payment	+++	+++	none	none
Business overdraft	++++	+++	++++	++++
<i>Process</i>				
Business plan revised	+++	++	++++	+++
Change producing/sourcing	+++	none	none	none

⁹ Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall employment model: *Environment* – Adelaide; *Venture* – Gender - all female team, Legal form – Partnership; *Resources* - Inimitability advantage, Relative in team; *Process* - Business plan formalized, Rate of venture action, Ownership changes, Concurrent ventures, Effectuation decision making, Bricolage behaviour.

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What is immediately clear from this analysis is that many more variables predict when employment creation is more likely, compared to those in which it is less likely. So we will begin with a discussion of the drivers that reduce employment. Restricted employment is in part explained by the business environment, and in part by the resources available to the founders to invest in their firm. Regarding the environment, two different industries have firms that are less likely to employ: consumer services, and manufacturing. The first of these seems reasonable, consumer services firms are often engaged by low aspiration founders who aim at self-employment rather than business growth. The result for manufacturing is puzzling, until some more context is given. Firstly, manufacturing is an industry that has been struggling of late, with many jobs moving off-shore to nations with lower employment costs. This effect seems to be a structural shift in the industry. Another important contextual factor relates to the manufacturing firms identified in the CAUSEE study. These firms are disproportionately part-time ventures. As a result it is not surprising they too have lower aspirations for employment.

Turning to the resources available, firms that rely on owner's savings as a source of funding are less likely to employ. This is understandable as wages are a significant commitment, which may see owners avoid using their own money in order to fund. Again, the access to customer contacts as a social capital resource throws up a result that is difficult to explain without knowing the quality of the contact. One factor identified earlier as a driver of reduced employment was firm gender, specifically those owned by females exclusively. What this current analysis shows however is that in relation to other employment drivers, gender is not important. In other words, many other factors determine whether a firm will create employment more strongly than gender.

As for factors which increase the likelihood of employment generation (Table 25) there are a number that relate to each element of the CAUSEE model. In addition, many of these factors are statistically significant and stable over time (Table 24). This suggests that employment creation may be something relating to the nature of the firm as originally envisaged rather than an aim that emerges as the firm evolves. It is not terribly surprising that the following factors are associated with increased likelihood of employment: Pty. Ltd legal form, non-home based firm, brick and mortar venture, developed proprietary technology, and the money invested. In the main these factors combine to describe the overall ambition of the firm, and might signify legitimacy in the market.

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Table 25

EMPLOYMENT MORE LIKELY	EMPLOYMENT LESS LIKELY
<p><i>Environment</i> Brisbane</p> <p><i>Venture</i> Pty Ltd company Non-home based venture Brick & mortar venture Developed proprietary tech. Own survival perception</p> <p><i>Resources</i> Money invested at W1 Money invested after W1 Delayed supplier payment Business overdraft</p> <p><i>Process</i> Business plan revised Change producing/sourcing</p>	<p><i>Environment</i> Consumer services Manufacturing</p> <p><i>Resources</i> Customer contact Founder savings</p>

However, a number of less obvious factors emerge from this analysis as drivers of a venture's tendency to create employment. For example, firms based in Brisbane are more likely to take on employees. This may be linked to the general economic climate in Queensland at the time of the study. However, the real reason for this result would require some careful analysis that took into account finer scale geographic data on firm location coupled with ancillary economic data. Another interesting result is that a firm's perception of their performance as captured by their survival estimate can be a robust predictor of their actual performance. Those that are more confident that they will survive are more likely to create employment. While it is not surprising that the money invested in the firm leads to employment, it is surprising that the source of those funds is a telling factor. Firms that are able to draw from a business overdraft are more likely to employ, as are those who can delay making payments to suppliers. Both of these would seem to be rather risky strategies if they were used to (exclusively) fund employee wages long term. The firm may be aiming at employment growth in order to increase capacity, ahead of generating profit growth. However, further analyses would be required to assess whether this was the case.

The final two factors associated with employment creation concern how the firm behaves in the process. Accordingly, these factors may relate to changing goals as the firm emerges. Firm founders who revise their business plan as their firm progresses are more likely to employ others. The plan revisions themselves may explicitly include employment as a new focus; or plan revisions may leverage enhanced firm performance that necessitates bringing employees on-board. Firms that are prepared to change their method of production as they progress are more likely to employ others. Indeed, this employment may

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be in order to bring on skills to deal with this change, or the change may lead to performance that requires more human resources be brought into the firm.

9.3 Drivers of subjective venture performance assessment

In contrast to the number of factors associated with increased employment, the vast majority of factors identified as drivers of performance perception predict its diminution. This finding is in line with many venture creation aspiration or perception based variables assessed during the CAUSEE study. For example: the firm's assessment of the novelty contained in their venture idea starts out high and reduces over time, as does their perception of the firm's ability to survive and the proportion of their sales that they aspire to make internationally. In all, this gives an indication that firms often start out with higher hopes for their venture than they might eventually achieve, and their early assessments are made clearer by the reality of the business environment. However, this is not to say that they also fail to make an impact on the market. Many ventures do so and their actual performance increases over time, despite their falling perception of their position. Therefore the results in Table 26 and Table 27 largely summarise what factors drive the reduced perceptions of performance as an indicator of success.

Overall, the clear association between many driving factors and performance perception is negative (Table 26). In effect these strong negative associations outweigh any positive influence of other variables identified in earlier analyses (e.g. services, networking resource advantage, business reputation, and seeking information from customers). Yet some weak drivers of positive performance assessment remain. Firms in the health, social services and education industry, those who count a family member in their ownership team, and surprisingly, immigrant entrepreneurs have high perceptions of performance. This latter surprising result could possibly be attributed to immigrants having lower performance expectations in general compared with non-immigrants.

One interesting finding is that both an idea-initiated process and one that begins with the desire to start a business followed by the search for an idea, results in lower perceptions of performance. The idea-initiated venturing process influences early perceptions, while the business ownership initiated process influences later perceptions of performance. Both of these results may be attributed to the difficulty of venture creation becoming apparent as the firm proceeds. Those who start with a business idea seem to be struck by the reality that business creation takes more than a good idea. Those founders who were first determined to start a business for themselves before seeking an idea take somewhat longer to establish a critical assessment on their performance.

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Table 26¹⁰

PERFORMANCE	Pool ed	W2	W3	W4
<i>Environment</i>				
Health & social	+	none	+	none
<i>Venture</i>				
Immigrant	+	+	none	none
Family business	+	none	+	none
Franchise	none	none	-	-
Growth focus	---	--	----	none
Non-local sales aspiration (%)	--	none	none	none
<i>Resources</i>				
Immediacy disadvantage	---	none	none	--
Internet	--	----	none	none
<i>Process</i>				
Ownership changes	++	++	none	none
Specific idea triggered process	--	---	none	none
Bus. ownership aim triggered proc.	---	none	-	---

Note: Ongoing ventures only; Outcome abbreviations - *Pooled*: overall subject performance assessment across W2, W3 & W4; W2: subject performance assessment at W2; W3: subject performance assessment at W3; W4: subject performance assessment at W4. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (+++/---) denotes a 0.1 per cent confidence interval.

What seems to be portrayed by these results is that those firms that find themselves at a competitive disadvantage or who have too high an expectation of performance will have reduced perceptions of success. Firms that have a focus on growth seem to perceive lower performance, especially early on in the process when their actual performance is more likely to be lagging their expectations. In addition, those firms that aspire to make a higher impact beyond local markets, or ones that use internet sources of information to set their goals, feel a particular pressure on their performance. It may be argued that some of these effects may be inconsequential given they are gauged against the firm's own high expectations, rather than real performance deficit. One factor that reduces performance perception which cannot be attributed solely to firm goals is where the firm has a competitive disadvantage compared to others. In this case, perceived lack of performance is something that is structural to the firm and will require real effort to overcome, rather than a re-framing of aspiration.

¹⁰ Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall perceived performance model: *Resources* – Major advice source - customers.

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Perhaps what is most telling in this assessment of perception of performance as an indicator of venture success is that it may improve by the action a firm takes (Table 27). While many of the preceding factors which reduce perceptions of performance are related to goals that might seem unobtainable, one that enhances performance perception is within the firm's control. Firms will remove owners as a means of overcoming a performance block, solving an internal dispute, or bring in a new owner to inject new ideas or resources into the venture. Whether of real consequence to performance or not, firms that resolve to change ownership as they proceed, largely feel better after having done so, as this is reflected in their perception of performance as they pursue their business.

Table 27

HIGHER PERCEIVED PERFORMANCE	LOWER PERCEIVED PERFORMANCE
<p><i>Process</i> Ownership changes</p>	<p><i>Venture</i> Growth focus Non-local sales aspiration</p> <p><i>Resources</i> Imitability disadvantage Internet</p> <p><i>Process</i> Specific idea triggered process Ownership aim triggered process</p>

9.4 Drivers of favourable ratings upon entrepreneurial exit

The previous section looked at success measure related perceptions of performance for ventures as they proceed, while the success measure discussed in this section looks back at the experience had by the founders of those firms that exit. What can be achieved by comparing these two measures of success is to reduce the influence that real venture outcomes have on the results. Therefore, should there be common types of factors associated with increased or decreased 'subjective' ratings regardless of firm outcome, then they may be assumed to be overall predictors of performance perception. Results of the analysis of founders exit ratings for their entrepreneurship experience are listed in Table 28.

Factors that are associated with favourable experience rating for entrepreneurship are best characterised by the support and environment that surrounds the entrepreneur after they exit. More favourable ratings of entrepreneurship are given by those firms located in Perth, or by firms whose owners are also home owners. This is likely attributed to how firm founders are able to move on from their business, either in an environment that has increased alternate employment opportunities, a growing local economy, or where the founder has assets on which they may be able to rely besides those previously invested in the firm.

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As for negative experiences of entrepreneurship, these are likely associated with the characteristics of the venture itself. The overall association between franchise firms and poor experiences of entrepreneurship is weak. However, those franchise firms that endure for longer before terminating are likely to rate their experience significantly lower than other independent firms. Entrepreneurship experience is another success factor that is inexplicably associated negatively with customer contacts made through the firm's extended social network.

Table 28¹¹

EXPERIENCE	Pool ed	W2	W3	W4
<i>Environment</i>				
Perth	++	+	none	none
<i>Venture</i>				
Franchise	-	none	--	---
Employment aspiration (# in 5yrs)	--	none	none	--
<i>Resources</i>				
Customer contact	---	--	none	none
Home owner	++	none	none	none

Note: Terminated ventures only; Outcome abbreviations - *Pooled*: overall subjective entrepreneurship experience assessment across W2, W3 & W4; W2: subject entrepreneurship experience assessment at W2; W3: subject entrepreneurship experience assessment at W3; W4: subject entrepreneurship experience assessment at W4. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++)/-) denotes a 0.1 per cent confidence interval.

What is interesting in these results is that no link is evident between factors that are part of the venture creation process and the entrepreneurship experience rating (Table 29). This may mean that entrepreneurs do not associate their experience of entrepreneurship with what they had done while a business owner, but more with their particular situation and what they had originally aspired to in their firm. The apparent disconnect between the actions taken and the experience had by founders who quit their businesses may explain why many aspire to re-enter entrepreneurship with a new business in the future.

Table 29

FAVOURABLE EXPERIENCE RATING	UNFAVOURABLE EXPERIENCE RATING
<i>Environment</i>	<i>Venture</i>
Perth	Employment aspiration
<i>Resources</i>	<i>Resources</i>
Home owner	Customer contact

¹¹ Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall entrepreneurship experience model: *Process* - Bricolage behaviour.

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As with perceptions of performance, assessment of an entrepreneurship experience seems to be reduced for those firms that originally aspired to make a higher impact in the economy, by employing a greater number of workers. This suggests that unmet aspirations are the most important factor in guiding an entrepreneur's subjective experience. What this means in practice is that entrepreneurs must be far more realistic in what they aim to achieve in their firms. Should they exceed modest aspirations they are likely to feel satisfied with business ownership, rather than feeling dissatisfied should they perform equally well but have hoped for more.

9.5 Drivers of venture creation: Reaching operational status

This section examines success for Nascent Firms as they make their way through the venture creation process. Here we assess what factors promote and what factors hinder a firm establishing itself in the market as an operational entity.

Results of the analysis of factors associated with venture creation are summarised in Table 30. Firstly, it is worth noting those potential drivers of venture creation identified earlier that do not remain influential in the presence of other stronger predictors of success. One is the result regarding firms that are attempted by founders from non-European ethnic backgrounds. Earlier analyses identified this characteristic as a hindrance to firm creation. Yet this factor does not remain a stable predictor of decreased venture creation success when compared to the money or effort invested during the process. What this means is that while there may be some initial disadvantage experienced by ethnic firm founders this effect is far outweighed by factors that are in their own control. As is the case with firms that are formed by spousal teams or family businesses, these are no more or less likely to derive success due to these characteristics when compared to the effort they apply.

Another compelling result relates to the time invested in the venture creation process. Earlier modelling found that the more time those founders of a firm applied to venture creation the more likely they were to become operational. Again this factor remains positively associated with success, however it too does not exhibit the same strength of influence that other resource and process factors do. This may mean that when the analysis takes into account contextual factors like the resources available to the venture (such as money invested, and the actions taken) they moderate the influence that time has on venture creation. Alternately, when the model is constrained in this way, the influence of time invested is subsumed into that of the level of action applied during venture creation. This relationship suggests that time invested allows more action to be completed, which in turn drives venture creation success. Either way, what is clear is that time invested alone will not explain venture creation success, as time invested must result in action as well as the coordination and application of other resources.

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Table 30¹²

OPERATIONAL	Pool ed	W2	W3	W4
<i>Environment</i>				
Adelaide	none	none	none	-
<i>Venture</i>				
Services	+	none	++	+
Legal form - Sole trader	none	none	none	-
Legal form - Pty Ltd company	-	none	none	-
Brick & mortar venture	+++	++++	none	none
<i>Resources</i>				
University degree in team	----	--	none	none
Customer contact	++	++	none	none
Money invested after W1 (log \$)	++++	++++	none	none
Advance customer payment	+++	+	none	none
Secured business loan	++	none	+	none
<i>Process</i>				
Action plan	-	---	--	none
Funding application	-	none	none	none
Ownership changes	none	none	+	none
Effectuation decision making	--	---	-	none
Actions completed at W1	++	++++	++	none
Actions completed since W1	++++	++++	++	+
Forward process order	none	none	--	none
Retained an accountant	++	none	none	+++
Retained a lawyer	---	---	--	-

Note: Nascent Firms only; Outcome abbreviations - *Pooled*: reached operational status across W2, W3 & W4; *W2*: reached operational status at W2; *W3*: reached operational status at W3; *W4*: reached operational status at W4. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/---) denotes a 1 per cent confidence interval; (++++/----) denotes a 0.1 per cent confidence interval.

¹² Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall operational model: *Venture* – Non European ethnicity, Family business, Legal form – Partnership, Non-home based venture; *Resources* - Spouse in team, Joined trade association; *Process* - Business plan revised, Effectuation decision making, Time invested since W1, Backwards process order, Signed ownership agreement, Purchased liability insurance, Opened bank account, Made business contactable.

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Looking at the overall influence of different types of factors upon venture creation success it emerges that both context and action are important. The least influential elements in the CAUSEE model that drive firms reaching operational status are: the environment, and the venture. This means that the type of firm and the situation in which it is being established are less important for success when compared with the resources available and the actions taken. This is an important result as it links venture creation success with the founder's ability and what they choose to do in establishing the firm.

Three factors are likely to reduce a firm's chance of becoming operational: having a university degree, relying on effectuation to guide the process, and getting a lawyer involved (Table 31). The finding on university education may be puzzling, but there are two plausible reasons why these more highly educated founder firms enjoy less success. Firstly, firms that include founders with university education are likely to have higher aspirations or be more sophisticated. Either way, this type of firm is more difficult to establish as they often take longer and require more resources. This may mean that they are more likely abandoned if they do not meet the higher expectations their founders have. Yet, earlier findings did not associate university education and firm abandonment. Therefore, we may assume that firms having a university degree qualified owner are likely to remain ongoing in their long process towards venture creation. Another indication of a longer process may be the use of effectuation decision making. This type of process is linked with more iterative establishment of the venture that may take longer to evolve. As for lawyer retention being a signal of less likely venture establishment, this is more difficult to interpret. Again what may be happening here is those firms requiring litigation to defend their rights, or contracting to establish conditions are likely to require more time to make progress. In all, the presumption in this analysis is that factors that reduce the likelihood of a firm reaching an operational state are more in line with them having a longer process than they are a significant detriment to firm creation.

Table 31

OPERATIONAL STATUS MORE LIKELY	OPERATIONAL STATUS LESS LIKELY
<p><i>Venture</i> Brick & mortar venture</p> <p><i>Resources</i> Customer contact Money invested after W1 Advance customer payment Secured business loan</p> <p><i>Process</i> Actions completed at W1 Actions completed since W1 Retained an accountant</p>	<p><i>Resources</i> University degree in team</p> <p><i>Process</i> Effectuation decision making Retained a lawyer</p>

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Of the types of firms that become operational, those that plan to make sales through a shopfront rather than over the internet are more likely to do so. Earlier results indicated that service based firms and those that were not based in the owners own home are more likely to achieve an operational status. However, in comparison to other drivers of success these characteristics are less significant. Moreover, what helps firms achieve consistent market sales are the resources they have access to (eg. customer contacts) and the resources they are prepared to invest (eg money). As for the form of funding, those businesses able to gain a secured loan from the bank or leverage advance payments from their customers have an advantage in firm founding.

The clearest and most consistent driver of venture creation success established by these analyses is the actions a venture takes (Table 30). The more active a firm is during venture creation, by completing more gestation activities, the more likely they will become operational. This finding is indicated by two variables – the number of actions a firm had completed when they entered the CAUSEE study, and the number of actions they completed since then (while part of the study). Moreover, action defines venture creation success at all points of the process. Therefore the most influential aspect that will predict a Nascent Firm becoming operational is the intensity of actions they complete in order to establish the venture.

9.6 Drivers of new venture profitability

The final success factor addresses the level of success attained after the venture has been established in the market as a Young Firm. Analysis of post emergence performance is best established as a measure of the firm's ability to create and capture value for its owners. Thus we analyse the level of profit generated by Young Firms, as an indicator of value captured (Table 32).

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Table 32¹³

PROFIT	Pool ed	W2	W3	W4
<i>Venture</i>				
Services	++++	++++	++	++++
Own survival perception (%)	+	none	none	none
<i>Resources</i>				
Years education (team total)	++	none	none	none
Management experience (yrs)	---	none	---	---
Corporate experience	++	none	++	+++
Owns investment property	++	+	++	none
Change market/customer	--	none	--	---
<i>Process</i>				
Necessity entrepreneurship	---	none	-	--
Effectuation decision making	-	---	none	none

Note: Young Firms only; Outcome abbreviations - *Pooled*: level of profit across W2, W3 & W4; W2: level of profit at W2; W3: level of profit at W3; W4: level of profit at W4. +: denotes a positive relationship; -: denotes a negative relationship; (+/-) corresponds to a 10 per cent confidence interval; (++)/-) denotes a 5 per cent confidence interval; (+++/-) denotes a 1 per cent confidence interval; (++++/-) denotes a 0.1 per cent confidence interval.

What stands out from this analysis is that no variable representing the business environment remains a strong predictor of profitability when compared with other factors. Earlier analyses established that business consulting firms were more able to generate profit, yet other factors relating to the firm's resources are more dominant in the complete model. The only other non-resource indicators that predict venture profit are: that the firm is a service based business, or whether it was begun out of necessity rather than opportunity. Clearly the strongest and most stable effect on profit is attributed to venture being a service type of business. This would assume that production costs are minimised, thus increasing the ability to leverage profit. What is striking about this is that serviced based ventures would likely rely on human resources in order to produce, and human resources can be expensive. To the detriment of Young Firm profitability is the fact that the venture may be being pursued out of necessity. This means that the firm was established because the founder had no other choice but to create a firm to make a living. This type of behaviour is a significant minority of the entrepreneurship activity conducted in Australia. Comparatively, more start a business in order to chase opportunity. However, it is not surprising that necessity entrepreneurship restricts venture performance, given the firm is on the back foot from the start.

¹³ Note: The following predictor variables that were influential in earlier separate modelling do not remain so in the overall profit model: *Environment* – Business consulting.

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Table 33

INCREASED PROFITABILITY	DECREASED PROFITABILITY
<p><i>Venture</i> Services</p> <p><i>Resources</i> Years education (team total) Corporate experience Owns investment property</p>	<p><i>Resources</i> Management experience Change market/customer</p> <p><i>Process</i> Necessity entrepreneurship</p>

The main factors that influence profitability in young firms are resources that describe the human capital such as: years of education, corporate experience, and management experience. The assumed effect here is that with investment of pertinent human capital resources, the firm is able to make superior decisions and guide performance towards higher profit. These factors have been discussed earlier in this paper, and the links between both education and experience based human capital is to be expected. Firms with higher overall education will aim to make a higher impact, and it would seem that should they possess the requisite experience of a corporate environment they are able to deliver on this aim. Yet, the fact that increased management experience results in lower profit is contrary to what might be expected. As is the fact that industry experience does not remain a strong predictor of profitability in comparison to other variables. Overall it must be noted that few venture type, resource or process characteristics result in robust predictors of Young Firm profitability.

10. CONCLUSIONS

In conclusion, the focus of discussion returns to the different elements of the CAUSEE venture creation model to identify if there are any that are dominant drivers of success. Therefore, in this wrap up we pull together all the elements that enhance or retard success in new venture creation and group them across each success factor, as shown in Table 34.

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Table 34

INCREASED SUCCESS	S u r v	E m p l	P e r f	E x p	O p e r	P r o f	DECREASED SUCCESS	S u r v	E m p l	P e r f	E x p	O p e r	P r o f
<i>Environment</i>							<i>Environment</i>						
Brisbane		X					Consumer services		X				
Perth				X			Manufacturing		X				
<i>Venture</i>							<i>Venture</i>						
Services	X					X	Franchise	X					
Proprietary tech.	X	X					Novelty - market	X					
Own survival perc.	X	X					Growth focus			X			
Pty Ltd company		X					Non-Local sale asp			X			
Non-home based		X					Employ aspire				X		
Brick & mortar		X			X		University degree					X	
Home owner				X									
<i>Resources</i>							<i>Resources</i>						
Money invest at W1	X	X					Prior failure	X					
Money inv. post W1		X					Customer contact	X	X		X		
Delayed sup. pay		X					Founder savings		X				
Business overdraft		X					Ini m i t a b l e d i s.			X			
Customer contact					X		Internet			X			
Advance cust. pay					X		Management exp						X
Sec business loan					X		Change market						X
Years education						X							
Corp experience						X							
Invest property						X							
<i>Process</i>							<i>Process</i>						
Ownership changes	X		X				Idea trigger proc			X			
Bus plan revised		X					Owner trigger proc		X				
Change production		X					Effectuation					X	
Actions at W1					X		Retained a lawyer					X	
Actions since W1					X		Necessity ent.						X
Retain accountant					X								

Note: Outcome abbreviations - *Surv*: venture survival; *Empl*: venture created employment; *Perf*: subject performance assessment for ongoing ventures; *Exp*: subjective entrepreneurship experience assessment for terminated ventures; *Oper*: Nascent Firm reached operational status; *Prof*: Young Firm level of profit.

What is eminently clear from this collation of results is that each element in the CAUSEE venture creation model can and does play a part in determining success for a Nascent or Young Firm. This may be taken as a confirmation of the model, that each element belongs in the model, no single element has a dominant influence, and further that leaving one element out would result in an incomplete description of venture creation. Although, it is important to recognise that the influence each element has will shift depending on how venture creation success is assessed. For instance, the environment

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factor does not contribute to stricter measures of success like becoming operational and the level of profitability attained. It should also be noted that each element has factors that increase as well decrease the likelihood or level of success attained. This confirms the presence of many context based, and contingent factors in the determination of venture creation success. Venture creation cannot be reduced to something which simply suggests more of this type of resource, or this type of action, or being more like this type of firm will ensure success.

The following summary of findings draws out important influences that each element of the CAUSEE model has on venture success:

- *Environment*
 - Environmental factors largely do not contribute a strong influence on tangible outcomes such as venture survival, becoming operational, or profitability.
 - There are some indications that entrepreneurship is more difficult to sustain in Adelaide. While evidence points to Brisbane providing an environment which favours employment generation by firms.
 - Retailing, consumer service and manufacturing are more difficult industries in which to derive success when compared to construction and consulting industries.
- *Venture*
 - A venture's initial aspirations are a double edged sword. Ambition may lead to improved performance by striving to reach harder goals. Harder goals are more difficult therefore this may lead to some dissatisfaction, and possibly abandonment of the venture.
 - The (non-European) ethnicity of a founding team may be some disadvantage. However, this initial disadvantage does not lock in a firm's fate. Firms that put more effort into venture creation are more successful. Ethnic ventures may need to work harder.
 - There is some indication that service firms are more likely to generate success through increased profit.
 - Venture legitimacy is important to establish where possible. Firms that formalize their legal form are more successful, as are those set up a shop-front in order to make sales.
 - Increased use of technology and higher levels of novelty does not guarantee success early on. Firms of this nature have longer processes, and attempting to create brand new markets is difficult to achieve. At the same time developing your own technology and securing this intellectual property is important for success.
- *Resources*
 - As a resource, human capital which is based on experience is important to venture creation early on. For example, a broader skill base derived from

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experience is beneficial in early stage firms. However, education based human capital also determines success in later stages. Those who possess more education may eventually achieve more profitability.

- For experience based human capital what is most important is the specific nature of the experience. Prior successful experience of entrepreneurship is more useful than prior failed experiences.
- With regard to social capital: Relying on friends and relatives as part of the firm team does not ensure success. However the formation of loose-tie social capital as might be developed when engaging in professional networking activities is to be encouraged.
- Using too many sources of information to guide the firm during venture creation can be detrimental to success.
- The financial resources invested in the firm helps them through the venture creation process. However, seeking finance from many sources does not ensure success. Founders should avoid using their own savings (only) to start up their firms. Rather, getting access to a business overdraft and being able to delay expenses while moving forward incoming payments is useful.
- Specific intrinsic factors that establish the firm's resource position are linked with success. The inimitability of a firm's unique advantage offers a means of leveraging success, as is a firm's ability to overcome disadvantage relative to others in their industry.
- *Process*
 - Having goals to work towards and business planning may be useful, but only if the plan is actively revised. Just having a business plan does not matter. Business plans are more useful as a thinking tool than as a blueprint for action. It is the process of thinking through while reviewing the plan that provides the benefit, not following its instruction to the letter.
 - Changing owners if necessary can be a good thing in the early stages of firm creation.
 - Changing the venture idea can also be good if it alters the way it is promoted or packaged, however changing the target market can set the firm back in terms of profit. What this means is it is more risky to alter a ventures core concept, but altering its delivery may be beneficial.
 - Processes which transition from discovery to exploitation type actions make progress toward becoming operational. This also happens if discovery and exploitation occur at the same time. Processes that have some iteration from exploitation back into discovery are also linked with success, but not if they go so far as to become overly iterative.
 - Creating multiple ventures may be beneficial as resources may be shared. However, those forced into entrepreneurship out of necessity often derive less success.

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- Time and action are by far the important factors that drive the venture through the nascent phase. Those that invest more time are more successful. Those that are more active are more successful.
- No single venture creation action can define venture success. In fact some actions detract from venture success. Therefore in order to determine success it is better to assess many actions together in aggregate than focus on individual ones.

As regard to overall success in its different forms, the following observations may be made that synthesize the general findings of which factors are their most important determinants:

- *Survival*: is a trade-off between venture aims and the resources required to meet these aims.
- *Employment*: is largely something predetermined rather than something that emerges. It is also a function of the financial resources applied to the firm.
- *Perceptions of performance*: are often driven down by other (ambitious) aspirations, while the action a firm takes may enhance perceptions.
- *Perception of entrepreneurial experience*: A positive entrepreneurship experience is driven by what comes after, while negative experiences are driven by characteristics of what happened during venture creation, and what the firm aimed for.
- *Operational*: status is determined by the resources a venture has access to and how these resources are invested through the entrepreneur's efforts. The most important determinant of ventures reaching operational status is the actions they take during the process. In order to be successful the venture creation process must find a balance between planning and flexibility.
- *Profit*: is often determined by the resources available to the firm, particularly human capital in the form of education and corporate experience.

Finally, it should also be noted that there are several limitations associated with the analysis conducted to assess overall venture creation success. Firstly, the modelling was designed to make the assessment task manageable. When so many factors must be assessed it was necessary to take this structured approach. This was implemented as a hierarchy of analyses. Models were built for similar factors within each element of the CAUSEE model, and then those that proved to be significant predictors were brought together in an overall model. While this method gives a logical structure, it may be analytically deficient. Some variables discounted in early analyses by the presence of a dominant predictor, may still provide more cogent prediction in an overall model, against variables that are weak overall but the strongest of their elements. What this means is that while it is very unlikely that the strongest predictors of success are missed, it may be that some relevant supporting variables are overlooked. Secondly, many variables are only assessed using their value at initial recruitment (W1) then compared against the lagged outcome/success variables. This does not take into account how these factors may change

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and develop over time. To do this would be unfeasible, given the already large set of results produced. The trade off made in this case is that some dynamic properties of the predictor variables are missed. Importantly, however, dynamic properties of gestation process factors were included as they represent some of the more complex facets of venture creation. Thirdly, the modelling does not include the assessment of variable interactions, or take into account mediation relationships between factors. The CAUSEE study uses a random sample of entrepreneurial firms, and entrepreneurship is of itself a rather heterogeneous phenomenon. What this means is that there are many different contextual considerations that may come into play that drive profitability in one circumstance and not others (Gartner & Shaver, 2011). For example, profitability is a long way removed from some of the basic factors that describe the CAUSEE model and the method used in this paper to assess them is rather simplistic. Take for instance prior entrepreneurial experience which may be a useful in enhancing profit in the case where a firm lacks access to industry experience. This pattern of effects might result in nothing being detected if we consider these drivers separately as contributing to profitability rather than accounting for how they might substitute for each in order to drive overall profitability. This is a limitation of the analysis methods we have chosen to use. However this was necessary as the modelling is already complex enough without accounting for the many possible, or even likely, interactions that exist between variables. What is missing from these results then are some of the nuances that might exist, however the overall picture of important success factors will remain valid.

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APPENDIX

About CAUSEE

The Comprehensive Australian Study of Entrepreneurial Emergence (CAUSEE) is a research program that aims to uncover the factors that initiate, hinder and facilitate the process of creation of new businesses in Australia. CAUSEE employs and extends in the Australian context the approach to studying 'nascent entrepreneurs' and 'firms in gestation' that was first developed for the Panel Study of Entrepreneurial Dynamics (PSED) (Gartner, Shaver, Carter, & Reynolds, 2004) and is partly harmonised with the PSED II study undertaken in the US 2005-2010 (Reynolds & Curtin, 2008). The CAUSEE data collection was funded by the Australian Research Council with contributions also from industry partners BDO and National Australia Bank. More comprehensive accounts of the CAUSEE data collection can be found in (Davidsson et al., 2011) and in the CAUSEE user manual (Australian Centre for Entrepreneurship Research, 2012a).

The major purpose of the research is to identify representative samples of on-going venture start-up efforts and follow their development over time. This approach addresses the under coverage of, and/or sparseness of data about the smallest and youngest entities that typically signify available business data bases. It also overcomes the selection bias resulting from including only start-up efforts that actually resulted in up-and-running businesses. Further, the approach largely overcomes hindsight bias and memory decay¹⁴ resulting from asking survey questions about the start-up process retrospectively, and gets the temporal order of assessment right for cause-and-effect analysis.

The primary data set for CAUSEE comprises of random samples of Nascent firms (N = 625) and Young firms (N = 559). While the main level of analysis in CAUSEE is the (emerging) venture or firm, sampling necessarily starts with the individuals behind the start-ups. Thus, the samples were obtained by screening adults in 30,105 randomly sampled households. Qualified individuals were retained as the sole spokesperson on behalf of the firm whether or not it had additional owners; however questions were asked about the contributions of all owners.

In order to qualify in the Nascent firm category, the respondent had to report concrete (and continuing) actions towards starting a new business within the past 12 months, be a part owner of this business, and not yet having experienced a period where revenues exceeded costs for at least 6 of the past 12 months. In the latter case, the respondent was instead included in the Young firms category provided the firm had not been operational for more than four years. Among the non-eligible cases every 50th respondent was selected for inclusion in a Control Group (n=506) to allow for basic socio-demographic comparisons between business founders and the general population. The Control Group was not followed over time.

¹⁴ Hindsight bias refers to the tendency for people to re-interpret past events based on current circumstances and this can bias retrospective research. Memory decay refers to the fact that events further in the past are more difficult to recall, and this effect can bias research which requires the recollection of the past.

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Supplementary, non-random samples of “High Potential” Nascent firms (N = 102) and Young firms (N = 113) were also generated. These cases were sourced from a broad array of individuals and organizations likely to be in contact with such start-ups at an early stage. Apart from the criteria described above the High Potential ventures had to reach a certain minimum score across criteria based on the education and experience of the founders, their aspirations for the venture, and its level of technological sophistication (it should be noted that a distinct minority of the random samples also meet these criteria).

Eligible cases that agreed to participate proceeded through a 40-55 minute long telephone interview. They were subsequently re-contacted for follow-up interviews of approximately the same length every 12 months over three years. Hence, the data base consists of four waves of interviews undertaken in 2007/8 to 2010/11. In each wave, about 85 per cent of eligible cases agreed to participate. The fact that some start-ups cease to operate during the study further reduces the number of cases over time. It may be noted that this affects more the Nascent firm category compared to Young firms. Therefore, the maximum numbers of cases available for analysis in each sample category and data collection wave are as follows.

Table A1. CAUSEE samples and response rates across waves

	Random sample Nascent Firms	Random sample Young Firms	High Potential Nascent Firms	High Potential Young Firms	Non- entrepreneur Control Group
Wave 1	625	559	106	120	506
Wave 2	493	472	91	98	n/a
Wave 3	281	353	71	81	n/a
Wave 4	183	263	59	64	n/a

The design allows for two types of analyses of development over time. First, individual cases can be followed across the waves of data collection, i.e., for a maximum of three years. Second, comparisons between Nascent firms and Young firms also indicate development over time, extending the total window through which the study captures start-up processes to at least 6-7 years. However, the latter type of comparison must be interpreted with caution as it confounds changes in the composition of different start-up populations (cohorts) over time at the first point of entry, and what happens over time to the members of a given cohort.

In each wave of data collection a large amount of information was collected about the characteristics of the venture; the resources available to or invested in it; its strategies, actions and aspirations, and the outcomes it had achieved. When a venture had been terminated an ‘exit interview’ was performed and the case was dropped from subsequent waves. Different reports in this series will focus on different parts of these contents, and to some degree on different sub-samples.