New Venture Entry Strategy: An Analysis of Venture Capitalists' Survival Assessments

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Abstract

This study addresses many of the limitations of previous research assessing venture capitalists' decision making, by using theoretically justified criteria from new venture strategy research to develop and empirically test a model of venture capitalists' decision making in the assessment of new venture survival chances.

Introduction

Venture capitalists are conspicuously successful at predicting new venture success and numerous studies have investigated their decision making (Sandberg & Hofer, 1987; Hall & Hofer, 1993). The majority of research on venture capitalists' decision making has produced empirically derived lists of venture capitalists' "espoused" criteria which are the criteria venture capitalists report they use when evaluating new venture proposals (see, for example, Gorman & Sahlman, 1986).

Social judgment theorists suggest that "espoused" decision processes may be a less than accurate reflection of "in use" decision processes (Priem & Harrison, 1994; Zacharakis, 1995). For example, studies have found that "espoused" processes typically employ a larger number of criteria than actually used. It has also been shown that decision makers overstate the least important and understate the more important criteria when compared to the models derived from statistical analyses (Riquelme & Rickards, 1992). Prior research on venture capitalists' decision making is therefore possibly biased (Zacharakis, 1995).

As a result of insufficient theoretical discussion and methodological limitations in previous research, Sandberg and Hofer (1987) believes there to be no thorough integrated explanation of new venture performance. Hall and Hofer (1993) propose that much remains to be understood about venture capitalists' decision making. This study aims to increase understanding of venture capitalists through the use of new venture strategy literature as a theoretical basis for the investigation of venture capitalists' decision making in assessments of a new venture's probability of survival.

Literature Review: New Venture Entry Strategy

The majority of new venture strategy research relates to timing of entry into a market or industry (Lieberman & Montgomery, 1988; Mitchell, 1991). In general, it appears that early entrants have higher returns if they are successful (MacMillan, Siegal & SubbaNarisimha, 1985; DeCastro & Chrisman, 1995), but bear a higher risk of failure. However, the relationship between timing and performance appears more complex than the above statement depicts. It is proposed that the following new venture entry strategy theory will provide explanatory and predictive ability for venture capitalists' assessment of a new venture's probability of survival.

Stability of Key Success Factors

Requirements for success in a market may change radically with market evolution (Abell, 1978). Superior performance arises from a fit between the competencies of a venture and key success requirements (Andrews, 1987). Pioneers commit to a number of key factors they believe will lead to success within the competitive environment (Slater, 1993). If the competitive environment changes, so too may the key success factors rendering the venture at a competitive disadvantage (Abell, 1978; Golder & Tellis, 1993). Later followers are better able to recognize the attractiveness of a market, key success factors necessary for entry, and are able to minimize the costs of entry through cutting R&D corners and/or leapfrogging the pioneering technology (Yip, 1982). However, if key success factors within an industry remain stable, it is proposed that pioneers' early commitment to a new technology is likely to provide superior new venture performance. This leads to the first research hypothesis:

Proposition 1:

(a) Level of key success factor stability affects venture capitalists' assessment of probability of survival.

(b) Venture capitalists' assessment of probability of survival is significantly higher for high key success factor stability than for low key success factor stability.

Educational Capability

There is often considerable uncertainty about the rate at which customers will substitute new for old technology (Porter, 1980; Lambkin & Day, 1989). Pioneers' potential customers often lack a frame of reference for understanding a new product concept (Slater, 1993) and the benefits of a venture's offerings. A frame of reference needs to be constructed in order to encourage substitution into the industry. Customers then need to be persuaded that the benefits of purchase are greater than the risks (Slater, 1993; Rogers, 1983). Customers' frame of reference can be difficult and costly to construct, in terms of time as well as financial and human resources. If a venture already possesses these resources, it has educational capability that can be directed towards performing original

market research and necessary market development (Stinchcombe, 1965). Venturers with high educational capability can hasten customer substitution into the industry (Slater, 1993; Rogers, 1983), thereby increasing industry and firm profitability (Porter, 1980).

Liability of newness is a concept introduced by Stinchcombe (1965) which associates greater risks of failure with ventures which lack stable links with other stakeholders (Stinchcombe 1965), and lack customer trust (Hannan & Freeman 1989) and these death risks decline monotonically with age (Freeman, Carroll & Hannan, 1983; Hannan & Freeman, 1984). While liability of newness declines with age (Hannan & Freeman 1989), it is apparent that risk of failure decreases as liabilities of newness are eliminated or minimized through risk reduction strategies (Douglas & Shepherd, 1997). It is proposed that a venture with educational capability can more rapidly develop stable links with key stakeholders and engender customer trust. This has the effect of reducing the risk of failure.

Proposition 2:

(a) Level of Educational Capability affects venture capitalists' assessment of probability of survival.

(b) Venture capitalists' assessment of probability of survival is significantly higher for high educational capability than for low educational capability.

Lead time

Barriers to entry initially provide pioneers a period of monopoly, that is, a lead time, and thereafter minimize competitive rivalry within the industry. Together, lead time and competitive rivalry provide greater understanding of new venture performance by identifying how an advantage is obtained and the means by which it slowly reduces over time. Lead time is the period between the pioneer's entry into the market and the appearance of the first follower. A longer lead time may increase pioneering advantages through helping the pioneer establish an even stronger brand name (Schmalensee, 1982) and moving customers' ideal points closer to the pioneer's attribute mix (Carpenter & Nakamoto, 1989). Increasing lead time helps pioneers further broaden their product line (Robinson & Fornell, 1985), provide superior profits and prepare for new battle grounds (Porter, 1980).

Along with higher market share as a result of longer lead times (Spital, 1983) and an opportunity to charge premium prices, the pioneer may also achieve cost advantages through experience effects (Abell & Hammond, 1979). These cost advantages put later entrants at a competitive disadvantage. Pioneers may be able to erect barriers that lock out followers (Porter, 1980), further lengthening lead time. Therefore the market momentum supported by lead time helps pioneers maintain their advantage. If lead time is short however, little time is available to develop pioneering advantages, decreasing the advantages of early entry.

Little information exists in the literature specifically on the effect of lead time on survival. However, it is reasonable to assume that a period of monopoly provides time for a venture to learn new tasks, to invent and overcome conflict in new roles, to develop an informal structure, to create stable links with stakeholders, and to develop some organizational inertia and organizational stability that will encourage customer trust. In other words, in the absence of industry competitors, lead time allows pioneers to minimize the liability of newness. Reducing the liability of newness increases the probability of survival (Freeman, et al., 1983; Singh, House & Tucker, 1986). Reduced strain on resources, coupled with increased certainty, increases the probability of survival of later entrants over pioneers (Mitchell, 1991).

Proposition 3:

(a) Length of Lead Time moderates venture capitalists' assessment of the relationship between timing of entry and probability of survival.

(b) Venture capitalists' assessment of probability of survival increases with later entry at a greater rate for short lead time than long lead time. For Pioneers, venture capitalists' assessment of probability of survival is higher for long Lead Times. For late followers, venture capitalists' assessment of probability of survival is higher for short Lead Times.

Competitive Rivalry

Competitive intensity usually reduces average industry profitability (Porter, 1980; Slater, 1993). It has the effect of reducing pioneering advantages developed through lead time. Therefore, when competitive rivalry is low, the initial advantages developed during lead time are likely to be more sustainable. Increased competition more quickly reduces initial advantages and creates pressure to reduce prices and profitability.

Proposition 4:

(a) Level of Competitive Rivalry affects venture capitalists' assessment of probability of survival.

(b) Venture capitalists' assessment of probability of survival is significantly higher for low Competitive Rivalry than for high Competitive Rivalry.

Scope of Entry

A narrow scope strategy has been found to reduce direct competition with large firms (Broom, Longenecker & Moore, 1983) and reduce the strain on limited resources (Low & MacMillan, 1988). Growth can then proceed incrementally (Low & MacMillan, 1988) effectively staging the risk. However, timing of entry might well moderate the relationship between scope of entry and survival. Romanelli (1989) found that when industry sales are increasing rapidly, broad scope firms are more likely to survive than are narrow scope

firms. Rapidly increasing industry sales typify the environment of a pioneer (Miller, Wilson & Gartner, 1987).

Proposition 5:

(a) Level of Scope moderates venture capitalists' assessment of the relationship between timing and probability of survival.

(b) For broad Scope, venture capitalists' assessment of probability of survival decreases with later entry but for narrow Scope venture capitalists' assessment of probability of survival increases with later entry.

Entry Wedge Mimicry

Lieberman and Montgomery (1988) believe an important research priority is the focus on the evaluation of specific entry mechanisms, rather than on general investigations of timing of entry. This concept of "mimicry" may help integrate Vesper's (1990) entry wedges into a conceptual framework of entry mechanisms. Entry wedges are competitive weapons that may be used to enter an industry, and comprise one of the few attempts to explain entry mechanisms. High mimicry represents a high level of imitation of others' entry wedges. This concept is useful in explaining franchising. A franchisee buys and/or rents from the franchisor the use of a hopefully proven proprietary entry wedge and competitive shield (Vesper, 1990).

A "low mimicry" entry wedge may be achieved through offering an innovative product or service and/or introducing a marketing innovation that allows the entrant to overcome barriers to entry (Porter, 1980). Innovation need not be a technological breakthrough (Karakaya & Kobu, 1994) or the creation of a new industry with a product's introduction- both developments are extremely rare (Vesper, 1990) but would be considered the extreme case of low mimicry. This concept of "low mimicry'" supports Vesper's (1990) 'new product' entry wedge.

Franquesa and Cooper (1996) found lower survival rates for ventures which used innovative strategies based on relatively unique products or services than those which used less innovative strategies. Carbone (1989) found a greater likelihood of survival in firms which used high mimicry entry wedges, such as franchising. Ventures using a high mimicry entry wedge apparently benefit from lower cost of entry and use of a proven formula than those using low mimicry entry wedges. Examples of a proven formulae include an established market, intellectually protected product/name, financial and managerial advice. Shane (1996) found that the more complex the franchise concept, the less likely the franchisee would survive. Added complexity retards mimicry and therefore decreases chances of survival.

Proposition 6:

(a) Level of entry wedge Mimicry affects venture capitalists' assessment of probability of survival.

(b) Venture capitalists' assessment of probability of survival is significantly higher for high mimicry than low mimicry.

Industry Related Competence

Shepherd, Crouch and Carsrud (1997) propose that a venture with a management team which has little industry related competence can be considered more new than a venture whose management team has experience and knowledge with the targeted industry. Little industry related competence indicates that a venture lacks important industry contacts, credibility with buyers and other industry specific information. This equates to greater liability of newness and therefore greater risk of failure (Freeman, et al., 1983). This is supported by Bruderl, Preisendorfer & Ziegler (1992) who found industry specific human capital to be a significant determinant of venture survival.

Proposition 7:

(a) Level of industry related competence affects venture capitalists' assessment of probability of survival.

(b) Venture capitalists' assessment of probability of survival is significantly higher for high Industry Related Competence than for low Industry Related Competence.

Proposition 8:

Industry related competence is the most important factor in venture capitalists' assessment of probability of survival.

Research Design

Conjoint analysis is a strong tool for decision modeling research providing significant, structured insight into venture capitalists' decision criteria (Muzyka, Birley & Leleux, 1993; Zacharakis, 1995). Theoretical basis for this study's use of conjoint analysis is information integration theory (Anderson, 1981). In developing conjoint profiles, levels were chosen to represent variation that typically occurs in the decision environment of venture capitalists, thereby maintaining believability and response validity. Venture capitalists assess the probability of survival for a series of conjoint profiles which describe new ventures in terms of eight attributes. "Probability of Survival" is defined as " the probability that this venture will continue to participate in the market using a ten year time horizon". An eleven point scale was used and anchored by very high probability of survival and very low probability of survival. A profile is displayed in Appendix A.

The eight attributes and levels are detailed in Table 1. Discussions with venture capitalists, accountants and academics provided face validity for attribute levels.

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Insert Table 1 about here
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Each of the eight attributes is varied at two levels in an orthogonal fractional factorial design consisting of 16 profiles allowing each main effect and selected two way interactions to be investigated (Hahn & Shapiro, 1966). Two way interactions investigated are timing's interaction with each other factor, with the exception of industry related competence. Each of the 16 profiles were fully replicated to test for reliability of responses. These 32 profiles were randomly assigned to avoid order effects, with a further practice case and 6 hold out cases used. The practice case familiarized respondents with the task and the 6 hold out cases were used to test the models' predictive ability. Therefore the experiment presented 39 profiles.

Sixty six senior individual venture capitalists representing 47 Australian venture capital firms completed the survey. Two responses were unusable. To identify the factors which are statistically significant for venture capitalists at the aggregate-subject level, the t-statistics derived from OLS regression were aggregated to form a Z-statistic (Patell, 1976; Dechow, Huson & Sloan, 1994)[1]. The mean beta coefficient of those main effect factors found to be significant were interpreted by the sign of the coefficient. To interpret the form of significant interactions, the individual means of factor level combinations were averaged.

Although two or more attributes may significantly affect the decision process, it is unlikely that those attributes will be of equal importance (Ettenson, 1993). Therefore the significance at the aggregate level of analysis is supplemented with a measure of relative importance. Hay's (1973) omega squared (ω^2), which is a measure of explained variance, and is used to assess the relative importance of the eight factors and 2-way interactions. The mean corresponding to all main effects and selected 2-way interactions were calculated.

Predictive ability of individual and aggregate decision making models were tested using a Pearson R correlation between the observed score on six hold out cases and a predicted score calculated by the individual decision making model(s). Sixteen replicated profiles were used in a test retest measure with the original 16 cases using Pearson R correlations to test the consistency of responses.

Results

Table 2 demonstrates the individual decision models of 64 venture capitalists including the beta coefficients for each factor and selected two way interactions as well as measures of explanatory and predictive ability of the model(s).

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Insert Table 2 about here
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At the aggregate level of analysis, the Z scores indicate that: industry related competence, timing, competitive rivalry, educational capability, key success factor stability, lead time, mimicry, timing-competitive rivalry interaction and timing-lead time interaction are significant in venture capitalists' assessment of probability of survival, i.e., their Z scores exceed 1.645. The sign for the mean regression coefficient for each significant main effect indicates the variable level venture capitalists associate with higher probability of survival. The variables level associated with higher probability of survival are high industry related competence, pioneering, low competitive rivalry, high educational capability, high key success factor stability, long lead time and high mimicry.

To interpret the form of the significant interactions, each individual's timing-competitive rivalry and timing-lead time interaction means were averaged. The form of the interaction for timing-competitive rivalry interaction is Mean $_{\text{low pioneer}}$ (6.1) > Mean $_{\text{high late}}$ (5.1) > Mean $_{\text{low late}}$ (5.0) > Mean $_{\text{high pioneer}}$ (4.5). The form of the interaction for timing-lead time is Mean $_{\text{long pioneer}}$ (5.6) > Mean $_{\text{long late}}$ (5.1) > Mean $_{\text{short late}}$ (5.0) > Mean $_{\text{short pioneer}}$ (4.9). On average, the most important criteria for venture capitalists in their assessment of probability of survival is industry related competence (ω^2= 0.29), second tier of importance is educational capability (ω^2= 0.10), timing (ω^2= 0.07), competitive rivalry (ω^2= 0.06) and key success factor stability (0.05). The third tier of importance is both mimicry and scope (ω^2= 0.02). The fourth tier of importance contains all interactions (ω^2= 0.01). Table 3 displays the results in terms of this study's hypotheses. Reports of reliability and explanatory and predictive ability of the models follow.

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Insert Table 3 about here
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The predictive ability of an individual model with their respective six hold out cases was significant for 67% of the venture capitalists, with a mean R^2 of 0.76. The aggregate model also demonstrated predictive ability, significantly predicting the decision policy of 63% of the venture capitalists with a mean R^2 of 0.75. Ninety two percent of venture capitalists had significantly reliable responses. Mean test-retest correlation for the sample was 0.69 providing assurances the new venture decision making task was performed consistently by the participants.

Discussion

The findings provide support for Andrew's (1987) proposition that superior performance arises between the competencies of a venture and key success requirements of the industry. Where the key success factors are stable, all ventures, regardless of timing

of entry, are better able to find the "fit" between their competencies and the stable key success factor requirements. The findings also support studies that show that key success factor instability accelerates the decline of pioneering advantages as either a result of ineffective investment of research funds (Aaker and Day, 1986), using inappropriate methods (Nelson and Winter, 1982), and/or reluctance to withdraw from mature technologies that are highly profitable (Yip, 1982). The probability of survival for late followers is also negatively affected by key success factor instability.

Support was also found for: Tyebjee and Bruno's (1984) finding that "environmental threats" is a criterion venture capitalists consider in making their investment evaluation, Hisrich and Jankowitz's (1990) finding that venture capitalists typically investigate the continuity of the market, and Meyer, Zacharakis and DeCastro's (1993) finding that venture capitalists report external market conditions to be a major failure determinant.

If a new entrant faces the liability of newness, such as, a lack of links with key stakeholders (Stinchcombe, 1965), lack of customer trust, uncertainty arising from whether customers will substitute into the industry (Porter, 1980; Lambkin and Day, 1989), and/or customers lacking a frame of reference (Slater, 1993), then this study supports educational capability's ability to reduce uncertainty and risk of failure by hastening customer substitution into the industry (Slater, 1993; Lambkin and Day, 1989) and having the skills to research and develop the market (Stinchcombe, 1965). The findings also support Dixon's (1991) findings that marketing skills of the entrepreneurial team are important venture capitalist considerations.

There is evidence that a long lead time can increase pioneering advantages (Schmalensee, 1982; Robinson and Fornell, 1985). While the findings provide support for a significant lead time-timing interaction there is little support for this study's hypothesis that a long lead time negatively affects survival chances of late followers, rather a long lead has a positive affect on venture capitalists' assessment for both late followers and pioneers. This support for a pioneer's long lead time, regardless of the timing of entry, could demonstrate an evaluation of the attractiveness of the industry, that is, an industry that produces a long lead time is likely to have high barriers to entry that will protect those that can enter and thereby increase the probability of survival.

This study's results support entrepreneurs belief that competition is a criteria venture capitalist use in deciding whether or not to invest (Bruno and Tyebjee, 1983). The findings also support studies that have found variables that relate to competitive rivalry are important in venture capitalists decision making, such as, industry profitability (Hall and Hofer, 1993), market/industry characteristics (Hutt and Thomas, 1985; Meyer, et al., 1993) and product differentiation (Hutt and Thomas, 1985). More specifically the findings support venture capitalists use of level of competition (Hutt and Thomas, 1985; Muzyka et al., 1996) in their investment assessment decisions. Venture capitalists in this study believed that competitive risk increases risk of business failure which supported Keeley, Knapp and Rothe's (1996) finding.

The findings, however, do not support previous new venture strategy studies that show narrow scope leads to superior performance either through avoiding direct competition (Broom et al., 1983), reducing strain on resources (Bantel, 1996) and/or growing incrementally (Van de Ven, Hudson & Schroder, 1984) so the venture can stage the risk and thereby increase the probability of survival. Nor is there support for Cooper's (1993) finding that dependence on narrow markets leads to unstable performance. Assuming rapidly increasingly sales are typical of an environment an early entrant faces (Miller, et al., 1987), there was no support for Romanelli's (1989) finding that when sales are increasing rapidly, broad scope strategies are more likely to survive than ventures using narrow scope strategies.

There was support for Bruderl et al.'s (1992) finding that there were no significant differences in survival chances between ventures pursuing broad or narrow strategies. The findings also support the lack of reference to scope in the venture capitalists' decision making research. Scope appears to be a factor that only a few venture capitalists use in their assessments of a new venture's probability of survival, and those that do, place little importance on scope relative to other entry strategy factors.

This study provides support for: Franquesa and Cooper's (1996) finding that innovative strategies based on relatively unique products or services had lower survival rates; Carbone's (1989) finding that higher entry wedge mimicry ventures, such as franchisees, had a greater likelihood of survival; and Shane's (1996) finding that more complex franchise concepts are more likely to fail. It also provides support for those studies that found product differentiation, including product uniqueness, is used by venture capitalists in their evaluation of venture proposals (Tyebjee and Bruno, 1984; Muzyka et al., 1996) and more generally the characteristic of the product/service (MacMillan et al., 1985).

Assuming Shepherd, Crouch and Carsrud's (1997) proposition that lower industry related competence increases the newness of a venture, the findings support "liability of newness" studies that demonstrate the risk of failure increases with increased newness (Freeman et al., 1983). It appears that industry related competence has a positive influence on venture capitalists' assessment of survival chances through important industry contacts, credibility with buyers and/or other industry specific skills, experience and knowledge. The findings of this study support Bruderl et al. (1992) finding that human capital is a significant determinant of venture survival. This study's findings also provide support for Roure and Madique's (1986) finding that successful founders have previous industry experience.

Most venture capitalists' decision making studies find venture capitalists place importance on competence in their assessments of the viability of investment decisions (see, for example, Tyebjee & Bruno, 1981). This study builds on Gorman and Sahlman's (1986) finding that the cause of venture failure lies with senior management and Meyer, et al. (1993) finding that management skill is a failure determinant. This study

explored an aspect of senior management skill, that being industry related competence, which was found to be a significant and important criterion venture capitalists use in their assessment of probability of survival. Industry related competence could have been the major driver of Gorman and Sahlman's (1986) and Meyer, et al.'s (1993) results or may be just a contributor. This study and the above studies conflict with Hall and Hofer's (1993) finding that venture capitalists place little importance on the entrepreneur or the entrepreneurial team.

This study's results provide evidence that a model of venture capitalists' assessment of probability of survival involving key success factor stability, educational capability, lead time, competitive rivalry, scope, mimicry, timing, industry related competence, key success factor stability-timing interaction, educational capability-timing interaction, lead time-timing interaction, competitive rivalry-timing interaction, scope-timing interaction and mimicry-timing interaction, can significantly explain the probability of survival assessment decisions of most venture capitalists. At an individual and aggregate level, venture capitalist's probability of survival assessment decisions can be modeled and have predictive ability.

While on aggregate, timing-lead time interaction and timing-competitive rivalry interaction are significant in venture capitalists' decision making they are low in relative importance. These findings concur with social judgment theorists and decision making researchers such as Louviere (1988) who propose that, in general, main effects often explain 80% of the variance, two-way interactions rarely exceed 6 to 8%, 3-way interactions rarely exceed more than 2 to 3% and higher order interactions account for minuscule proportions of variance. However, while the significant interactions were low in relative importance their importance may be high in an absolute sense because of the high cost of an incorrect assessment.

Could it be some venture capitalists are unable to conceptualize these more complex relationships? Are venture capitalists' decision policies optimal? Can venture capitalists decision making be improved? Venture capitalists may be able to learn from the contingent based theory proposed in this study. Zackarakis (1995) found venture capitalists have information processing limitations and that actuarial models improve venture capitalists' assessment decisions. The contingent theory of venture capitalists decision making proposed here may form the basis of an actuarial model. Further research needs to be performed in developing and empirically testing an actuarial model that involves the new venture entry strategy theory proposed in this study.

Footnote

1. The aggregation method is as follows:

$$Z = \frac{1}{\sqrt{N}} \sum_{j=1}^{N} \frac{t_j}{\sqrt{k_j / (k_j - 2)}} \Bigg/ \sqrt{1 + (N-1)\bar{r}}$$

where tj = t-statistic for individual j; kj = degrees of freedom in regression for individual j; N = number of firms in sample. The Z-statistic is distributed asymptotically as a standard normal variate (Anderson, 1971; Dechow, et al., 1994) and computed under the assumption of independence among individuals, that is, r = 0.

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Appendix A

Profile 1: Venture RTY

1. This venture's entry wedge mimicry - low.
2. This venture's educational capability - high.
3. This venture's timing of entry - late follower.
4. This venture's market scope - broad.
5. This venture's industry related competence - high.
6. This industry's first entrant's lead time - short.
7. The industry's competitive rivalry - low.
8. The industry's key success factor stability - high.

Assessment 1: Probability of Survival

Based on the above venture description (using a 10 year time horizon), how would you rate the probability that this venture will survive?

(Circle the number that best represents your response)

Very Low Probability of Survival	1	2	3	4	5	6	7	8	9	10	11	Very High Probability of Survival

Tables

Table 1: Factors, Levels and Definitions

Factors	Levels	Definition
Timing of Entry	Pioneer	enters a new industry first
	Late Follower	enters an industry late in the industry's stage of development
Key Success Factor Stability	High	requirements necessary for success will not change radically during industry development
	Low	requirements necessary for success will change radically during industry development
Educational Capability	High	considerable resources and skills available to overcome market ignorance through education
	Low	few resources or skills available to overcome market ignorance through education
Lead Time	Long	an extended period of monopoly for the first entrant prior to competitors entering the industry
	Short	a minimal period of monopoly for the first entrant prior to competitors entering this industry
Competitive Rivalry	High	intense competition among industry members during industry development
	Low	little competition among industry members during industry development
Entry Wedge Mimicry	High	considerable imitation of the mechanisms used by other firms to enter this, or any other industry, e.g., a franchisee
	Low	minimal imitation of the mechanisms used by other firms to enter this, or any other industry, e.g., introducing a new product
Scope	Broad	a firm that spreads its resources across a wide spectrum of the market, e.g., many segments of the market
	Narrow	a firm that concentrates on intensively exploiting a small segment of the market, e.g., targeting a niche
Industry Related Competence	High	venturer has considerable experience and knowledge with the industry being entered on a related industry
	Low	venturer has minimal experience and knowledge with the industry being entered or related industry

Table 2: Decision Policies (B)and Predictive Ability (p<0.05)- Probability of Survival

ID #	Const (B)	Comp (B)	CR (B)	Educ (B)	KSF (B)	Lead (B)	Mimicry (B)	Scope (B)	T*CR (B)	T*E (B)	T*K (B)	T*L (B)	T*M (B)	T*S (B)	Timing (B)	R^2	Sig F	Predic	Sig	Agg Pre	Sig
1	10.840	-3.188	-0.750	-2.500	-1.000	0.250	-0.500	1.250	-0.875	0.625	-0.625	0.375	0.375	-0.875	-1.063	0.818	*	0.742		0.727	
2	3.688	0.000	-0.625	-0.625	-0.625	0.375	0.375	-0.125	-0.500	0.250	-0.250	-0.500	0.250	0.500	2.500	0.859	*	0.948	*	0.626	
3	10.030	-1.813	-1.250	-1.750	-0.750	-3.250	-0.250	1.750	-0.375	-0.375	-0.875	2.125	0.375	0.375	-2.938	0.857	*	0.902	*	0.841	*
4	7.844	-2.813	-0.125	-0.375	-0.625	-0.375	-0.375	-0.375	0.125	0.375	0.375	0.625	-0.375	0.375	-0.938	0.751	*	0.922	*	0.852	*
5	5.563	-1.750	-1.875	-0.625	0.625	-0.125	-0.375	-0.375	0.250	1.250	-1.250	0.250	0.250	0.250	-0.500	0.875	*	0.919	*	0.953	*
6	7.375	-2.375	-1.875	-2.375	-0.125	-1.625	1.125	1.875	2.000	-0.500	-0.500	2.000	1.000	-2.000	-0.125	0.794	*	0.864	*	0.759	*
7	9.438	-2.750	-1.625	-1.875	-0.875	-1.625	1.625	0.375	0.000	1.250	0.250	0.000	-0.750	0.000	-2.000	0.873	*	0.879	*	0.622	
8	7.844	-4.438	-0.500	-0.500	-0.250	0.250	-0.500	-0.25	-0.625	-0.375	0.625	0.375	0.625	-0.125	1.188	0.85	*	0.872	*	0.680	
9	10.750	-2.750	-2.000	0.250	-0.750	-3.000	0.250	0.000	-1.250	0.500	0.750	3.500	-1.750	-0.750	-3.000	0.776	*	0.775	*	0.730	
10	8.094	-2.313	-0.375	-1.875	-1.875	-0.375	1.875	0.875	-0.625	-0.875	-0.125	1.125	-0.125	0.375	-0.188	0.779	*	0.919	*	0.919	*
11	3.969	-1.438	-0.250	0.250	-0.250	0.250	0.000	0.000	-0.125	-0.375	0.375	-0.875	-0.125	0.375	1.188	0.773	*	0.928	*	0.649	
12	11.340	-2.312	-0.875	-1.625	-2.375	-3.625	1.125	-0.375	-0.125	0.375	3.375	5.875	0.625	0.625	-6.688	0.827	*	0.839	*	0.601	
13	7.875	-2.250	-0.750	-1.750	-0.500	-1.000	0.250	-0.500	0.250	1.500	0.250	2.000	-1.750	-0.250	-1.000	0.800	*	0.790	*	0.899	*
14	7.719	-2.688	-0.250	-0.750	-1.000	0.000	0.500	0.250	-0.375	-0.125	0.875	-0.375	0.125	-1.125	-0.563	0.786	*	0.847	*	0.732	*
15	5.156	-0.938	-0.625	-1.375	-1.375	0.875	2.375	-0.375	-2.125	1.625	-0.375	0.875	-3.625	0.125	1.938	0.698	*	0.769	*	0.944	*
16	9.625	-1.250	-1.750	-1.750	-1.000	-2.500	-1.250	-1.500	1.750	1.000	0.250	1.500	0.750	1.250	-4.000	0.853	*	0.836	*	0.866	*
18	8.969	-1.563	-1.625	0.375	0.375	-1.125	-1.625	-0.125	-0.625	-0.125	-0.875	-0.375	1.375	1.125	-0.688	0.765	*	0.882	*	0.858	*
19	5.031	-3.063	-1.750	0.250	-1.000	0.500	0.750	1.000	1.375	-1.625	-0.375	-0.375	-0.875	-0.125	2.313	0.946	*	0.681		0.892	*
20	8.938	-1.000	-1.375	-3.375	-1.875	0.625	0.875	-1.625	0.250	-0.250	0.500	0.500	-1.500	2.750	-0.500	0.700	*	0.887	*	0.911	*
21	4.219	-0.688	-1.000	-1.500	-0.750	1.250	0.500	1.250	0.375	0.625	0.375	-0.375	0.375	-0.625	-1.313	0.839	*	0.865	*	0.874	*
22	8.813	-3.25	-1.125	-1.875	-0.875	-0.125	0.375	0.625	0.250	-0.500	0.250	-1.500	0.500	0.000	1.750	0.895	*	0.893	*	0.950	*
23	8.438	-2.000	-0.375	-1.875	-1.625	-0.125	0.625	0.375	-0.500	1.500	1.000	0.500	-0.250	0.250	-1.500	0.672	*	0.167		0.223	
24	6.938	-1.375	-0.500	-2.750	-0.250	-1.000	1.500	-0.750	-0.250	1.000	0.500	1.750	1.750	0.500	-0.625	0.927	*	0.656		0.897	*
25	7.281	-2.063	-0.500	-0.500	0.750	-0.250	-0.250	-0.500	-0.625	0.375	-0.875	0.125	0.625	-0.125	1.312	0.800	*	0.847	*	0.716	
26	9.063	-3.000	-1.625	-0.125	-2.375	-0.375	0.375	-0.375	1.750	0.000	1.250	-1.000	-1.000	0.500	-1.000	0.903	*	0.817	*	0.847	*
27	6.063	-2.125	-1.000	0.250	-0.250	0.500	0.500	0.750	0.250	-0.500	-0.500	-0.250	-0.250	1.000	1.125	0.680	*	0.567		0.229	
28	6.469	-0.938	-2.000	0.500	-0.250	-1.250	-0.250	0.000	0.625	-2.125	-0.375	1.375	-0.625	0.375	-0.063	0.677	*	0.808	*	0.924	*
29	7.750	-2.625	-1.625	-1.375	-1.875	-0.125	1.875	-0.375	-0.250	-1.500	0.750	1.000	-0.250	0.750	-0.875	0.860	*	0.775	*	0.838	*
30	9.031	-1.313	-1.250	-1.000	-1.000	-1.750	-0.250	-0.500	0.625	-0.875	-0.875	0.125	1.375	0.375	-0.188	0.892	*	0.945	*	0.858	*
31	10.250	-1.250	-1.500	-0.250	-1.750	-1.000	-1.250	-0.500	-0.250	-1.000	0.000	-0.250	0.500	-0.250	0.750	0.805	*	0.866	*	0.733	*
32	10.810	-4.875	-2.250	-3.000	-1.000	-0.750	-0.750	1.000	3.500	0.750	-0.500	1.250	-1.000	-1.000	-1.375	0.895	*	0.822	*	0.877	*
33	4.563	-1.375	0.000	-0.750	0.000	-0.250	0.000	0.500	0.250	-0.500	-0.250	0.500	-0.500	0.000	0.375	0.753	*	0.759	*	0.866	*
34	9.969	-2.563	-0.875	-2.375	-0.875	-0.375	0.375	-0.125	-1.125	0.875	0.625	-0.375	0.375	0.125	-0.688	0.880	*	0.901	*	0.890	*
35	9.438	-2.500	-0.375	0.375	-1.125	-1.875	1.375	-0.375	-0.250	-0.500	1.000	1.750	-1.250	3.000	-3.750	0.708	*	0.867	*	0.450	

Table 2: (Continued)

ID #	Const (B)	Comp (B)	CR (B)	Educ (B)	KSF (B)	Lead (B)	Mimicry (B)	Scope (B)	T*CR (B)	T*E (B)	T*KSF (B)	T*L (B)	T*M (B)	T*S (B)	Timing (B)	R^2	Sig F	Ind Pred	Sig	Agg Pre	Sig
36	8.688	-1.500	-1.125	-0.375	-0.375	-0.625	-0.125	1.125	-0.750	0.500	0.250	1.000	0.000	-0.500	-2.000	0.826	*	0.440		0.303	
37	7.719	-3.063	-1.375	-1.625	-1.125	0.125	-0.125	1.125	1.125	-1.875	-0.125	0.375	0.375	-1.375	0.563	0.865	*	0.838	*	0.832	*
38	9.813	-2.375	-1.75	-0.750	-1.000	-2.000	-0.500	1.750	0.250	-0.250	-1.000	1.500	0.500	-1.750	-0.625	0.85	*	0.641		0.409	
39	9.906	-3.688	-1.125	0.375	0.625	-0.875	-0.125	-1.875	-0.875	-0.375	-1.875	1.125	-0.625	0.875	0.938	0.863	*	0.411		0.319	
40	6.719	-1.438	-0.250	-0.250	-2.750	-1.250	0.000	0.000	-0.375	-0.125	0.875	1.125	1.625	-1.125	-0.563	0.719	*	0.724		0.739	*
41	3.313	-0.625	0.000	-0.250	-0.250	0.000	1.000	0.250	0.000	-2.250	-1.500	-0.250	0.500	0.500	3.375	0.824	*	0.365		0.868	*
42	7.094	-0.813	-0.125	-0.625	-0.625	-0.125	-0.625	0.375	0.375	-0.125	0.375	0.375	0.650	0.125	-1.188	0.664	*	0.453		0.622	
43	8.938	-3.875	-1.500	0.250	-0.500	1.250	-1.250	-0.250	1.000	-0.500	-1.500	-1.500	1.250	0.750	-0.125	0.744	*	0.935	*	0.988	*
44	9.063	-1.750	-1.625	-1.375	-1.625	-1.375	1.625	-1.375	-0.500	0.750	0.250	0.500	-0.750	-0.500	1.750	0.936	*	0.930	*	0.884	*
45	8.625	-1.875	-1.625	-1.876	-1.875	-1.625	-0.125	1.625	0.750	-1.250	1.750	2.250	1.000	-2.500	-1.125	0.844	*	0.761	*	0.727	
47	7.000	-1.875	-1.125	-0.375	-1.875	0.375	-0.875	-0.625	2.000	-0.250	0.000	-1.750	1.750	0.250	-0.625	0.689	*	0.829	*	0.880	*
48	9.719	-2.438	-1.250	-1.250	-1.750	-1.750	-1.000	0.000	-1.125	0.125	0.625	0.375	0.625	1.375	-1.563	0.858	*	0.947	*	0.796	*
49	9.282	-2.188	-1.625	-2.375	-0.875	-1.625	-0.125	0.625	-0.625	1.375	0.375	0.875	0.875	0.375	-2.063	0.767	*	0.726		0.742	*
50	9.375	-3.125	-0.625	-1.875	-1.375	-1.625	1.125	-0.125	1.000	-0.75	-0.750	1.500	-1.000	1.750	-2.625	0.837	*	0.724		0.710	
51	9.125	-4.000	0.250	-1.250	-1.250	0.250	-0.750	0.250	0.250	-0.25	0.750	-0.75	-0.500	-0.500	0.000	0.884	*	0.951		0.931	*
52	7.812	-0.625	-0.500	-1.250	-0.500	-0.750	0.250	-0.750	0.250	0.000	-0.750	0.000	-0.500	0.500	0.125	0.708	*	0.585		0.672	
53	9.094	-2.688	-1.750	-1.250	-1.000	-0.500	-1.750	-1.500	-0.875	0.625	0.375	-0.125	2.375	1.125	-1.563	0.711	*	0.880	*	0.886	*
54	8.906	-2.688	-0.875	-1.125	0.125	-0.125	-0.125	-0.125	2.625	-0.375	-0.125	-0.625	-0.375	0.375	-1.563	0.621		0.825	*	0.747	*
55	9.812	-2.125	-2.250	-2.750	-0.750	-0.250	1.000	-0.500	1.750	2.000	0.750	-1.000	0.000	-2.500	-0.875	0.75	*	0.661		0.892	*
56	9.719	-1.063	-0.125	-0.625	-0.875	-1.375	-0.375	-0.125	-0.875	-1.375	0.375	2.375	1.375	0.125	-3.438	0.824	*	0.654		0.632	
57	4.063	-0.750	0.625	-2.125	-1.625	0.125	1.375	-0.875	-0.500	0.250	0.500	-0.250	-1.000	1.000	0.250	0.645		0.772	*	0.927	*
58	10.410	-1.563	-1.500	-3.250	-3.500	-0.750	2.500	-2.500	-0.125	-0.125	3.125	0.625	-3.375	1.875	-0.938	0.827	*	0.817	*	0.867	*
59	9.125	-1.000	-2.500	-2.000	-0.750	-0.250	-1.000	-0.750	1.750	1.250	0.500	-1.000	1.250	1.000	-2.500	0.739	*	0.794	*	0.899	*
60	3.219	-2.063	0.125	-0.375	0.375	-0.125	-0.375	-0.125	-0.125	0.375	-0.125	0.375	1.125	-0.875	1.313	0.916	*	0.935	*	0.718	
61	7.625	-2.250	-0.750	-1.750	-0.500	-1.500	0.750	0.000	1.750	1.750	-0.250	1.250	0.000	-0.500	-3.000	0.854	*	0.177		0.807	*
62	7.969	-3.188	-0.250	-0.750	-0.250	-0.250	-0.250	0.750	-0.375	0.375	0.375	0.125	0.625	-0.625	-0.813	0.825	*	0.822	*	0.615	
63	7.688	-3.250	-0.875	-1.125	-0.125	-0.375	0.625	0.375	1.000	-0.500	0.250	0.250	-1.000	0.750	0.000	0.753	*	0.883	*	0.938	*
64	7.469	-2.188	-0.250	-1.750	-0.250	-0.750	1.750	-1.250	0.375	-1.125	-0.125	1.375	-1.375	1.125	-0.563	0.662	*	0.451		0.561	
65	9.375	-2.875	0.625	-0.375	-0.625	0.375	1.125	-0.125	-1.250	0.000	-0.250	-0.500	-0.750	1.250	-1.625	0.678	*	0.157		0.473	
66	9.563	-1.500	-0.875	-1.375	-1.125	-1.625	0.375	-0.375	0.500	0.750	-0.500	1.750	0.000	0.000	-2.000	0.818	*	0.552		0.431	
Mean	8.053	-2.142	-0.973	-1.152	-0.883	-0.656	0.234	-0.035	0.174	0.006	0.115	0.541	-0.002	0.158	-0.691	0.798	62	0.756	43	0.751	40
Z	74.28	-37.77	-12.14	-14.04	-10.52	-8.02	2.46	-0.18	1.69	0.21	0.61	4.30	0.44	0.87	-3.57						

Table 3: Level of Support for Hypotheses

#	Hypothesis	Level of Support
1a	Level of key success factor stability affects venture capitalists' assessment of probability of survival.	Supported
1b	Venture capitalists' assessment of probability of survival is significantly higher for high key success factor stability than for low key success factor stability.	Supported
2a	Level of Educational Capability affects venture capitalists' assessment of probability of survival.	Supported
2b	Venture capitalists' assessment of probability of survival is significantly higher for high educational capability than for low educational capability.	Supported
3a	Length of Lead Time moderates venture capitalists' assessment of the relationship between timing of entry and probability of survival.	Supported
3b	Venture capitalists' assessment of probability of survival increases with later entry at a greater rate for short lead time than long lead time. For Pioneers, venture capitalists' assessment of probability of survival is higher for long Lead Times. For late followers, venture capitalists' assessment of probability of survival is higher for short Lead Times.	Unsupported
4a	Level of Competitive Rivalry affects venture capitalists' assessment of probability of survival.	Supported
4b	Venture capitalists' assessment of probability of survival is significantly higher for low Competitive Rivalry than for high Competitive Rivalry.	Supported
5a	Level of Scope moderates venture capitalists' assessment of the relationship between timing and probability of survival.	Unsupported
5b	For broad Scope, venture capitalists' assessment of probability of survival decreases with later entry but for narrow Scope venture capitalists' assessment of probability of survival increases with later entry.	Unsupported
6a	Level of entry wedge Mimicry affects venture capitalists' assessment of probability of survival.	Supported
6b	Venture capitalists' assessment of probability of survival is significantly higher for high mimicry than low mimicry.	Supported
7a	Level of industry related competence affects venture capitalists' assessment of probability of survival.	Supported
7b	Venture capitalists' assessment of probability of survival is significantly higher for high Industry Related Competence than for low Industry Related Competence.	Supported
8	Industry Related Competence is the most important factor in venture capitalists' assessment of probability of survival.	Supported