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INTERACTIVE PAPER

ATTRACTIVENESS OF VENTURE IDEA AMONGST EXPERT ENTREPRENEURS: A CONJOINT ANALYSIS

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Principal Topic

Venture ideas are at the heart of entrepreneurship (Davidsson, 2004). However, we are yet to learn what factors drive entrepreneurs' perceptions of the attractiveness of venture ideas, and what the relative importance of these factors are for their decision to pursue an idea.

The expected *financial gain* is one factor that will obviously influence the perceived attractiveness of a venture idea (Shepherd & DeTienne, 2005). In addition, the degree of *novelty* of venture ideas along one or more dimensions such as new products/services, new method of production, enter into new markets/customer and new method of promotion may affect their attractiveness (Schumpeter, 1934). Further, according to the notion of an individual-opportunity nexus venture ideas are closely associated with certain individual characteristics (*relatedness*). Shane (2000) empirically identified that individual's prior knowledge is closely associated with the recognition of venture ideas. Sarasvathy's (2001; 2008) Effectuation theory proposes a high degree of relatedness between venture ideas and the resource position of the individual. This study examines how entrepreneurs weigh considerations of different forms of novelty and relatedness as well as potential financial gain in assessing the attractiveness of venture ideas.

Method

I use conjoint analysis to determine how expert entrepreneurs develop preferences for venture ideas which involved with different degrees of novelty, relatedness and potential gain. The conjoint analysis estimates respondents' preferences in terms of utilities (or part-worth) for each level of novelty, relatedness and potential gain of venture ideas. A sample of 32 expert entrepreneurs who were awarded young entrepreneurship awards were selected for the study. Each respondent was interviewed providing with 32 scenarios which explicate different combinations of possible profiles open them into consideration.

Results and Implications

Results indicate that while the respondents do not prefer mere imitation they receive higher utility for low to medium degree of newness suggesting that high degrees of newness are fraught with greater risk and/or greater resource needs. Respondents pay considerable weight on alignment with the knowledge and skills they already possess in choosing particular venture idea. The initial resource position of entrepreneurs is not equally important. Even though expected potential financial gain gives substantial utility, results indicate that it is not a dominant factor for the attractiveness of venture idea.

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