Optimal Pacing and Novelty in the Opportunity Development Process Model: An Empirical Test

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Introduction
The opportunity development perspective has garnered much attention in contemporary entrepreneurship research (Shane, 2003; Shane & Venkataraman, 2000). This view assumes that opportunities can be made in addition to being discovered. Within the context of making opportunities, scholars noted the importance of viewing opportunities as procedural, meaning entrepreneurs must develop opportunities over time. Scholars also have denoted the importance of external actors to the opportunity development process, highlighting their role as trusted advisors, financiers, and strategists. Throughout this interaction process, entrepreneurs must continually reframe opportunities for different external actors (Clarke, 2010), the actors must be continually appeased over time (Venkataraman et al., 2012), and learning must be baked into the whole process (Cope, 2005; Ravasit & Turati, 2005; Dutta & Crossan, 2005). Recent theoretical contributions have interwoven these three components together in order to produce a complete model of the opportunity development process (Sinhur et al., 2017). However, this model remains untested in empirical settings.

The purpose of this paper is to build upon the propositions outlined by Sinhur et al. (2017) in order to gauge whether the proposed relationships are present in real-world environments. In order to do so, we test a piece of the opportunity development process using data from 700 new ventures in the sport, digital media, and entertainment industry. Moreover, we propose practical, econometric operationalizations of sustained actor engagement and opportunity novelty in an effort to generate discussion about these two constructs of interest.

Relevance to Sport
The industry in which these phenomena are investigated is ‘sports, digital media, and entertainment’. Examples of ventures in this industry include: fantasy sports websites, ticketing apps, biotechnology and athlete-quantification software and hardware, video game developers, teams, and leagues, streaming platforms, fitness wearables, augmented and virtual reality content producers, nutrition and supplement manufacturers, and algorithmic-based services pertaining to sport sponsorship, point-of-sale transactions, crowd management, and fan engagement. As Gershon (2013) and Lieberman & Esgate (2014) make clear, sport and entertainment properties are growing exponentially in economic valuation and sociocultural prominence. Additionally, over half of all new-venture acquisition activity in this industry to has occurred after 2009 (Hayduk & Walker, forthcoming), implying piqued interest from financial backers. In sum, the rapid change of consumer demand and heightened interest from investors renders these sectors an ideal environment in which to investigate entrepreneurial phenomena (Ball, 2005). In so doing, this manuscript investigates corporate and technological sport based entrepreneurship as described by (Ratten, 2011; 2014). Additionally, this study delineates how those two categories relate to other categories such as community-based, institutional, and social sport-based entrepreneurship. Making this connection will help sport entrepreneurs understand the role of sport ventures in creating positive social outcomes in addition to financial outcomes.

Hypotheses
First, Sinhur et al. (2017) propose that the opportunity development process might be hindered when progress happens too quickly. Hallen and Eisenhardt (2012) and Zimmerman and Zeitz (2002) collectively suggest how short time intervals between interactions can result in the inability to use multiple transformation/translation strategies, less productive communication, and a lack of external actor buy-in. Hallen and Eisenhardt (2012) highlight how external actors may perceive a reluctance on the entrepreneur’s behalf to think critically about and integrate feedback when time intervals between interactions are very short. On the other hand, Sinhur et al. (2017) speculate that the opportunity development process when things progress too slowly. External actors’ interest begins to wane as the amount of time between interactions increases (Child, Lua, & Tsai, 2007) because their frames of reference are more likely to change (Bitektins, 2011). Given these two speculations about the length of time between interactions, the
first hypothesis is:

H1: The length of time between interactions will have a curvilinear relationship with sustained actor engagement.

An opportunity’s novelty affects the optimal pacing of interactions because the value proposition of more novel opportunities is often difficult to judge immediately (Sinhur et al., 2017). More novel opportunities require additional collaboration between a greater number of external actors and more coordination between actors and entrepreneur in order to reconcile differences in perceptions about the opportunity’s strengths and weaknesses, potential market, and business model. Additionally, more novel opportunities can confound external actors’ perceptions about their specific role in the opportunity development process (Bitektine, 2011), introducing another layer of uncertainty to entrepreneur-actor interactions. Overall, these conditions imply that entrepreneurs will need to spend extra time translating and transforming more novel opportunities. Given these ideas about opportunity novelty, and again in line with Sinhur et al.’s (2017) speculations, we propose our second hypothesis:

H2: The relationship between interaction pacing and sustained actor engagement will be moderated by the opportunity’s novelty, such that more novel opportunities will increase the interaction pacing of interactions.

Method
Sample and Data: The sample is comprised of 703 entrepreneurial ventures operating at the nexus of sport, digital media, and entertainment. We retrieved data about each venture’s area(s) of competitive activity, headquarters city and state, current status (operating, closed, acquired, etc), date founded, date closed (if applicable), the number of articles published about the venture, number of founders, employees, investors, and primary investors, number of funding rounds, date of last funding round, last funding amount, last type of funding received (Angel, Seed, Series A/B/C, Debt, etc.), total equity raised, total funding raised, date of initial public offering (IPO; if applicable), valuation at IPO, and money raised at IPO. In addition to these variables we also retrieved each venture’s ranking with respect to all ventures in the database.

Analysis: To investigate H1, we specify a OLS regression that will act as a baseline comparative model. Next, we specify a double-log model using the natural logarithmic transformation of both sustained actor engagement and optimal pacing. Last, we include a hierarchically-entered quadratic term for interaction pacing that will locate a ‘peak’ within the range of our data (should one exist). To investigate H2, we specify a hierarchical regression, including all of the control variables and the interaction term components (log of sustained actor engagement and novelty) in the first stage and the interaction term in second stage.

Preliminary Findings & Discussion
Preliminary results indicate the presence of a relationship between interaction pacing and sustained actor engagement, which does adopt an inverted-U shape. Specifically, follow-up analyses show that optimal sustained actor engagement was achieved when ventures required about 470 days in between major rounds of interaction. Second, results indicate weak support for the hypothesis specifying that opportunity novelty moderates this relationship. These results provide a set of very practical insights for sport entrepreneurs relating to the speed of opportunity development and how communities can leverage sport ventures for mutually beneficial gain.