

NEW VENTURE EVALUATION:
IS THERE A STANDARD METHOD ON THE HORIZON?

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SYMPOSIUM OBJECTIVE

The objective of this symposium is to open a dialog for the creation of an internationally recognized standard for evaluating the risk associated with new venture development. We have tentatively name this standard the Venture Assessment Standard 2000. It is our intent to develop a consensus among professionals in the field of entrepreneurship: bankers, lawyers, venture capitalists, brokers and entrepreneurs which will lead to the world-wide adoption of a standard that can substantially reduce the incidence and cost of new venture failure. This symposium will encourage debate on the merits and validity of our intent to create a internationally recognized standard.

Over the years, the accounting industry has developed Generally Accepted Accounting Principles (GAAP) to standardize practices in an industry that relies extensively upon human judgement in the evaluation of financial record keeping. With GAAP, standards have been established and have continued to evolve which have moved the profession of accounting away from the ambiguities of prior practices. In a similar way, the Quality movement has taken the process of utilizing human judgement to improve quality in production and has standardized it in the ISO 9000 series pronouncements.

Presently, however, no generally accepted standards exist for evaluating the results of venture creation. As a result, entrepreneurship remains a phenomenon rather than a profession and a huge void exists in the pre-funding or early stage positioning of a new business venture. Variable assessment is left up to subjective criteria which are at best disclosed through complex legal documents that all utilize standardized "boiler plate" to attempt to disclose the risk associated with the venture and its likelihood of success.

Background

One of the implicit goals of many entrepreneurship researchers has been the articulation of clearly recognizable characteristics that distinguish viable from less-viable ventures. The venture performance stream of entrepreneurship

research, as a subunit of business strategy research, has concentrated on this task. New venture performance has been found to be a function of industry structure, venture strategy, and particularly of the interaction effects of industry structure and venture strategy (6) (9) (11). We can infer from these findings that the goal of distinguishing viable from less-viable ventures using attributes of the venture, is feasible.

Building upon findings in the new venture performance research stream, and utilizing the work of the many scholars who have labored extensively in the entrepreneurship minefields, it appears to be possible to articulate a set of clearly recognizable, distinguishing characteristics of viable ventures, provided that we realize that due to the uniqueness of each venture, the creation of an exhaustive list is unlikely to ever be feasible. However, the infeasibility of enumerating a set of sufficient conditions for venture viability should still not prevent us from utilizing the knowledge that has already been accumulated about some of the necessary venturing characteristics.

The study of how knowledge is utilized to impact performance is supported by cognition-based research. One of the important ideas that cognition-based research has contributed to the study of management is the concept of a knowledge structure or schema (7) (12), which refers to organized knowledge about an information environment that gives meaning to concepts or stimuli (4). Research interest in the mental templates that guide top-down information processing (1) has been generated in part because of the possibility that the exceptional schema-based (5) performance of experts that has been demonstrated in a variety of fields such as chess (2), computer programming (10), law enforcement (8), and physics (3) might be harnessed and effectively operationalized within the field of management.

Activities

The symposium is envisioned as a panel discussion with substantial feedback from the audience. The panel will consist of the four members listed on the cover of this proposal. Ron and Eric will discuss a proposed method for screening new ventures and the research currently underway to validate the method. Brad and Tim will give their perspectives on the practicality of this line of research and discuss the need and benefits of establishing a standard.

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