

> Thursday, January 28<sup>th</sup>, 2021

14:00 - 15:30

MANAGEMENT RESEARCH SEMINAR



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

**“TOWARD A THEORY OF EXPERIMENTATION IN EARLY-STAGE VENTURES”  
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**ABSTRACT**

The literature on organizational learning has emphasized the “behavioral costs” of learning. However, learning may also have “strategic costs”. This paper explores the process of *experimental learning* — a form of learning that is particularly relevant for nascent firms — taking a broader perspective on its strategic implications. Synthesizing different research streams in strategic management, I develop a theoretical framework illustrating how the choice of *experimentation* affects the performance of early-stage ventures. Using the value-based strategy perspective as a conceptual lens, I argue that four causal mechanisms drive the impact of experimentation on performance: information, adaptation, reputation, and imitation. The analysis generates a series of propositions describing the effect of each mechanism and the moderating role of various organizational capabilities and environmental features. Contrary to the popular view, the analysis suggests that experimentation is not always the optimal strategy for early-stage ventures and examines the conditions entrepreneurs should evaluate prior to taking the experimental route.

**Keywords:** Entrepreneurship, Value Based Strategy, Learning, Experimentation, Minimum Viable Product