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THE ROLE INITIAL CONDITIONS, SIGNALLING, AND LEGITIMACY HAVE ON THE PURSUIT AND DISBURSEMENT OF RESOURCES: A VENTURE CAPITALIST’S PERSPECTIVE (INTERACTIVE PAPER)

Neil Wolff
Ryerson University, nwolff@ryerson.ca

Rein Peterson
York University

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INTERACTIVE PAPER SESSION

THE ROLE INITIAL CONDITIONS, SIGNALLING, AND LEGITIMACY HAVE ON THE PURSUIT AND DISBURSEMENT OF RESOURCES: A VENTURE CAPITALIST’S PERSPECTIVE

Neil Wolff, Ryerson University, Canada
Rein Peterson, York University, Canada

Principal Topic

Choosing one’s dependencies, while leveraging other people’s resources, is an important managerial decision for all entrepreneurs, whether they operate individually run firms or in the context of large organizations. Entrepreneurs are expert at accessing resources, beyond what they currently have in place, to pursue new opportunities. The theoretical model that we develop will provide an explanation on how effective entrepreneurs go about signalling to generate the legitimacy they need, to gain the requisite power, to have access to additional resources. The model focuses on the initial conditions of available resources at a particular point in time and through strategic choice an entrepreneur can effectively leverage these resources to enact their respective environments to obtain more resources.

Method

To determine whether the proposed model is accurate qualitative data was gathered from six venture capitalist investors in Canada. We sought information on at least a thirty-six matched-pair sample (six from each venture capitalist interviewed) of business concepts that received disbursements and ones that did not. The study was conducted in two phases which utilized semi-structured interviews.

Results and Implications

We believe that the paper makes two contributions to the literature. The first is that it provides evidence that the theoretical model developed and introduced in this paper is applicable in a venture capital context and therefore meaningful to entrepreneurs seeking venture capital disbursements. The second is that patterns of optimal initial conditions, effective signalling and gaining legitimacy from a venture capitalist are identified. According to our model these patterns will be of a benefit to entrepreneurs seeking resources from venture capitalists.

CONTACT: Neil Wolff; nwolff@ryerson.ca; (T): 416-979-5000, x.6732; Ryerson University, Toronto, ON M5B 2K3.