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THE IMPORTANCE OF INDUSTRY CHARACTERISTICS FOR VENTURE PERFORMANCE: A META-ANALYSIS (INTERACTIVE PAPER)

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INTERACTIVE PAPER SESSION

THE IMPORTANCE OF INDUSTRY CHARACTERISTICS FOR VENTURE PERFORMANCE: A META-ANALYSIS

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Principal Topic

While scholars representing the resource-based view argue that firm-specific characteristics determine firm performance, industrial organization economics scholars emphasize the importance of industry structure. The ongoing discussion on the relative importance of firm vs. industry-specific characteristics has become a fundamental debate in management literature. For entrepreneurs industry choice is one of the most influential strategic decisions. Compared to incumbent firms, new ventures have a number of disadvantages known as liabilities of newness (Stinchcombe, 1965) that make them vulnerable to environmental threats. Hence, environmental conditions at founding have been argued to be critical factors for venture success (Eisenhardt, & Schoonhoven, 1990). However, empirical research on the importance of certain environmental characteristics for venture performance shows controversial findings. In this meta-analysis we are aiming at integrating previous empirical results in order to answer two research questions: (1) How do munificence, hostility, and dynamism affect venture performance? (2) How important are these effects compared to the influences of firm-specific factors?

Method

In order to locate studies on environmental determinants of venture success we performed keyword searches in databases supplemented by manual searches in relevant journals and references of existing articles. We calculated effect sizes according to the method suggested by Hunter and Schmidt (2004). For the comparison with firm-specific effects we drew on new venture sub-samples of existing meta-analyses in the fields of strategic management and entrepreneurship (e.g. Bausch, & Krist, 2007; Rauch et al., 2004).

Results and Implications

Our research demonstrates that environmental munificence has a positive effect on venture performance at the aggregate level. The opposite, i.e. a negative effect, is true for hostility. A dynamic environment does not significantly influence venture success. Compared to firm-specific effects found in other meta-analyses the impact of environmental munificence is rather large, whereas hostility shows a comparatively low correlation with performance. A large variance in the size of performance effects indicates that dynamism – despite its zero correlation at the aggregate level – may play an important role for certain types of ventures. Our results suggest that environmental characteristics determine venture success and should be subject to further research, especially in contingency approaches.

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