EXPLAINING ORGANIZATIONAL EMERGENCE USING THE KNOWLEDGE-BASED VIEW OF THE FIRM AND INSTITUTIONAL THEORY (INTERACTIVE PAPER)

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Principal Topic

In the new venture literature, two research streams have sought to explain why some new ventures emerge as organizations and other do not. In one stream, researchers have found that organizational emergence can be explained by the knowledge resources that the venture’s founder(s) bring to the venture such as past industry and startup experience (Delmar & Shane, 2006; Minniti & Bygrave, 2001; Stuart & Abetti, 1990). In the other stream, researchers have used institutional theory to explain organizational emergence. Researchers have not, however, examined the impacts of founders’ knowledge resources and institutionalization actions together. This study examines the impacts of founders’ knowledge resources and institutionalization actions on organizational emergence. Specifically, we first will determine the relative contributions of knowledge resources and institutionalization actions; we will then examine whether an interaction of founders’ knowledge resources and institutionalization actions might be related to the likelihood of organizational emergence.

Methods

We use data from the first Panel Study of Entrepreneurial Dynamics (PSED I) (Gartner, Shaver, Carter, & Reynolds, 2004). Three items are used to measure the dependent construct, organizational emergence: respondent self-report of the status of his/her venture, whether a sale was made, and whether positive operating cash flow has been achieved. Knowledge-related items include industry experience, startup experience, whether the founder’s parents owned a business, and knowledge of business assistance programs. Institutionalization action items include whether founders engaged in marketing/promotional efforts, whether projected financial statements, whether they filed patent or trademark applications, whether they opened bank accounts, and whether they became listed in a phone book.

Results and Implications

Results indicate that institutionalization actions have a positive, direct effect on the two objective measures of organizational emergence; however, they also indicate that founders’ knowledge does not relate to the likelihood of organizational emergence. We expect that a more complex relationship exists between founders’ knowledge and the likelihood of organizational emergence. Our study will advance new venture research by jointly examining knowledge-based view and institutional theory perspectives on organizational emergence. We believe that a fuller explanation of organizational emergence can be achieved by combining these perspectives than by considering them in isolation.

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