THEORETICAL SUGGESTIONS FOR THE PRESENCE OF RIGIDITY AND FLEXIBILITY IN NEW VENTURES (SUMMARY)

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SUMMARY

THEORETICAL SUGGESTIONS FOR THE PRESENCE OF RIGIDITY AND FLEXIBILITY IN NEW VENTURES

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Principal Topic

Two research streams in the entrepreneurship literature offer seemingly opposing views on how new ventures cope with environmental change. One suggests new ventures are rigid, lacking the resources and legitimacy to exploit arising opportunities and overcome new threats. The second suggests new ventures lack bureaucratic constraints, allowing these ventures to flexibly adjust alongside environmental changes. We propose that both perspectives describe actual entrepreneurial behavior. We further suggest that differences in behavior among new ventures exist due to variations in how entrepreneurs cognitively process information from the environment and the venture.

Method

Integrating experiential learning theory, effectuation, and behavioral decision making research, we present a theoretical model describing the cognitive processes underlying new venture change. We argue that the entrepreneur’s experience, his dominant logic, and perceived venture characteristics (e.g. the recent performance of the venture; sunk costs in money, time, and knowledge) all differentially impact the decision for venture change or selection. Previous studies have examined these variables with respect to opportunity recognition and exploitation. Few, however, have analyzed how these variables affect how new, but established ventures cope with environmental change. Nevertheless, venture change entails developing new means and/or ends -- fundamental activities underlying entrepreneurship. Focusing on the start-up processes of ventures has left a gap in entrepreneurship research concerning how ventures evolve and survive over time. The research presented here seeks to answer why some ventures undertake actions to adapt with environmental shifts of opportunities and threats, while others do not.

Results and Implications

Our theoretical model presents initial steps towards understanding how new ventures cope with environmental changes. The model suggests a number of overlooked research opportunities within the entrepreneurship domain. Of great interest is how new ventures overcome resource constraints by efficiently and effectively exploiting changes in their environments. Future beneficial research will seek understanding of how entrepreneurs change their cognitive processes to better facilitate effective venture adaptation. Of course, some environmental changes may be better exploited by decisions to remain persistent in the course of action. Therefore, research discerning when entrepreneurs benefit through persistent actions, as opposed to change, will greatly enhance our knowledge of venture survival.

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