RESOURCE PROTECTION AND ENTREPRENEURSHIP (SUMMARY)

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SUMMARY

RESOURCE PROTECTION AND ENTREPRENEURSHIP

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Principal Topic

Research shows that entrepreneurs open windows to new opportunities and form ventures to exploit such opportunities, but what is less clear is whether, how, and to what extent entrepreneurs seek to “shut the windows” upon entry. Resource-based view (RBV) suggests that this “window shutting” is largely an intrinsic characteristic of resources themselves. That is, resources are difficult to imitate because of their causal ambiguity, historical and cultural factors, or perhaps their ‘stickiness’ as resources interlink with products and services. These explanations are certainly important and advanced our understanding of resource inimitability—a key construct in RBV and the focus of our paper.

We further RBV by directing attention to certain actions new ventures take to essentially create additional barriers to imitators seeking access to core resources. The current paper tests (a) whether core resources are embedded in different areas of the firm, (e.g. customer-facing versus back office activities), and (b) the extent to which how resources are employed by the firm is associated with their subsequent inimitability.

Method

Our paper tests the theoretical model on resources inimitability by investigating innovations, and the pace of their imitation, in the financial industry. We use patents that protect “financial innovation” as a proxy for knowledge-based resources. Overall, the sample includes over 2,000 patents from over 700 firms, which deals exclusively with financial innovation.

The theoretical model consists of four resource attributes (resource scope, longevity, innovativeness, and customization) and two different measures of inimitability outcomes as predicted by current RBV teaching. It complements existing RBV research by testing the moderating affects of certain actions firms take to protect their resources. Several control variables are also included.

Implications

The study hopes to make several contributions to entrepreneurship theory and practice. First, it undertakes an empirical assessment of the inimitability condition and provides greater specificity on actions firms take to buttress the inimitability of their resources. Second, it suggests that resource inimitability depends not only on the inherent characteristics of the resource, but also on what actions firms take to actively protect the their resources. By explicating the various protection mechanisms firms’ use, RBV will become a more robust theory of resource inimitability and competitive advantage. Lastly, the study proposes that entrepreneurial firms must pay greater attention to the protection mechanisms they choose to employ to sustain their resource position and initial “opportunity”, especially how and where they embed the resource within the firm.

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