HETEROGENEOUS RESOURCE ENDOWMENTS AND SEED CAPITAL ACQUISITION IN TECHNOLOGY-BASED VENTURES: A RESOURCE-BASED ANALYSIS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

HETEROGENEOUS RESOURCE ENDOwMENTS AND SEED CAPITAL ACQUISITION IN TECHNOLOGY-BASED VENTURES: A RESOURCE-BASED ANALYSIS

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Principal Topic

The central premise of the resource management perspective (Sirmon, Ireland, & Hitt, 2007) in resource-based theory contends that resources must be actively managed in dynamic environments to produce superior economic performance over the long-run. However, before resources can be actively bundled and leveraged to create economic value, the firm’s resource portfolio must be actively structured through external acquisition, internal accumulation, and/or through the divestment of key resources (Sirmon et al., 2007). Among early-stage technology-based ventures, prior research argues that this resource structuring process is directly influenced by the availability of financial capital in the venture (Lee, Lee, & Pennings, 2001; Shane & Stuart, 2002).

While prior research has explored a variety of factors which shape the supply of financial capital in ventures (Lee et al., 2001; Shane & Stuart, 2002), prior research has been largely silent regarding the extent to which various manifestations of environmental dynamism affect the capitalization process. To address this gap in the literature, we explore the extent to which two specific types of environmental uncertainty—technological and demand uncertainty—moderate the effects of initial resource endowments—managerial and technological resources—on three specific capitalization outcomes in early-stage ventures.

Method

To test our hypotheses we developed a sample of 123 seed/early-stage technology-based ventures. Analyses of our hypotheses are conducted utilizing logistic regression, lognormal survival analysis, and single-limit TOBIT regression.

Results and Implications

Based on these analyses, we find that higher levels of technological and demand uncertainty significantly weaken the effects of high quality initial resource endowments on capitalization outcomes for ventures. Specifically, that ventures operating in environmental contexts with high demand or technological uncertainty are less likely to raise early-stage capital. For those ventures which are successful in raising some capital, we find that higher levels of technological and demand uncertainty increase the length of time it takes to raise capital and reduce the total amount of capital raised. These results point to a capitalization paradox whereby ventures need more financial capital as a buffer against high levels of environmental dynamism, but as this study demonstrates, high levels of environmental dynamism reduce the available supply of capital.

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