COMMERCIALIZING NEW TECHNOLOGIES: THE IMPACT OF LIABILITY OF NEWNESS, LIABILITY OF SMALLNESS, AND TECHNOLOGICAL INNOVATIVENESS (SUMMARY)

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COMMERCIALIZING NEW TECHNOLOGIES:
THE IMPACT OF LIABILITY OF NEWNESS, LIABILITY OF SMALLNESS,
AND TECHNOLOGICAL INNOVATIVENESS

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Principal Topic

Entrepreneurs face several challenges when forming a new venture (NV) resulting, in a large part, from its newness and small size. For NVs commercializing new products, these “liability of newness” (LoN) and “liabilities of smallness” (LoS) challenges must be successfully overcome to increase the probability of its long-run success. These liabilities arise, in part, because NVs often lack both the legitimacy and reputation needed to gain support from external resource providers. Although entrepreneurship studies have often classified both newness and smallness as liabilities, other research demonstrates that new (and often small) entrants can drive innovation (Schumpeter, 1934), suggesting some NVs may successfully overcome these liabilities. Indeed, recent theoretical (Carayannoupoulous, 2009) and empirical (Choi & Shepherd, 2005) research suggests potential advantages (e.g., decision speed and product novelty) NVs enjoy when commercializing products.

Taken together, these two views suggest that whether a NV successfully overcomes LoN and LoS issues often depends on whether it can establish its legitimacy and reputation, which represent related, but distinct, firm attributes (Deephouse & Carter, 2005). Accordingly, we examined factors impacting NV commercialization success by examining legitimacy, reputation, and technological innovativeness issues.

Methods

To test our hypotheses, we employed a unique dataset drawn from longitudinal surveys administered to firms participating in the U.S. Department of Commerce’s Advanced Technology Program, which supported highly innovative and risky, but feasible, technology development. The database contains survey data from respondents in both established and start-up companies attempting to develop and commercialize nascent technologies from 1995 through 2004. Employing a sample of 88 firms pursuing independent (i.e., those not involving strategic alliances) commercialization efforts, we tested our hypotheses with hierarchical linear regression.

Results and Implications

Results support our hypotheses that posit a negative relationship between commercialization and firm size and a positive relationship between commercialization and firm reputation variables ($R^2 = .30, p < .05$). Thus, our findings provide evidence that a NV’s initial small size presents a significant liability when commercializing products ($p < .01$), even when considering a product’s technological innovativeness as well as NV factors enhancing both its legitimacy and reputation.

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