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BACK TO THE ENVIRONMENT—EXPLORING THE DIFFERENTIAL EFFECTS OF THE INDUSTRY KNOWLEDGE BASE ON NEW VENTURE PERFORMANCE AND SURVIVAL (SUMMARY)

Bárábara Larrañeta
Pablo Olavide University, blargom@upo.es

Lucia Naldi
Jönköping International Business School

Els Van de Velde
Imperial College

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SUMMARY

BACK TO THE ENVIRONMENT—EXPLORING THE DIFFERENTIAL EFFECTS OF THE INDUSTRY KNOWLEDGE BASE ON NEW VENTURE PERFORMANCE AND SURVIVAL

Bárbara Larrañeta Gómez-Caminero, Universidad Pablo de Olavide, Spain
Lucia Naldi, Jönköping International Business School, Sweden
Els Van de Velde, Imperial College, UK

Principal Topic

What industry should we be in? This is a fundamental question for entrepreneurs. In the past, industrial economics and strategy scholars have stated that structural conditions made some industries intrinsically more profitable than others. More recently, organizational learning theory has claimed that the environment in which a firm competes has important learning implications, shifting the focus from the structural conditions of an industry to the knowledge and competences available within and across industries.

Indeed, the environment, and especially the industry in which a venture competes, may contain important sources of knowledge and technologies. This is particularly essential for new ventures (NVs), which often have scarce internal knowledge and technologies and need to build intensively on external knowledge. This dependence towards external knowledge makes NVs very susceptible to the knowledge base—alias the knowledge characteristics—of the industry in which they operate.

Yet, there is limited research on how the knowledge base of an industry affects the performance and survival of NVs. Inspired by the latest trends in strategic management and entrepreneurship, most studies have taken an inside-out perspective and focused on the survival and performance implications of the knowledge base internal to the firm, such as the prior knowledge and experience of the entrepreneur(s) or the NV’s resources and capabilities. In this paper, we complement this body of knowledge by going back to the environment. Specifically, we propose an outside-in perspective and explore the links between the knowledge base of an industry on the one hand, and the performance and survival of NVs, on the other hand.

Results and Implications

We consider one particular strand of knowledge—technological knowledge—and define it as scientific knowledge applied to useful purposes. We look at four dimensions of an industry’s knowledge base—breath, depth, complexity and longevity. Depth refers to the amount of within-area knowledge of the firms in the industry; breath refers to the range of areas over which the firms in the industry have knowledge; complexity amount of cross-area knowledge of firms in the industry; and longevity refers to the rate of obsolesce of the knowledge in the industry. Drawing on an extensive literature review, we develop propositions on the relationship between these four dimensions of an industry’s knowledge base and NVs’ performance and survival.

CONTACT: Bárbara Larrañeta Gómez-Caminero; blargom@upo.es; (T): +34 954 34 98 48; (F): +34 954 34 83 53; Carretera de Utrera Km. 1, 41013 Sevilla (Spain).