CAUSES AND CONSEQUENCES OF LOOSE COUPLING IN PORTFOLIO ENTREPRENEURSHIP FOR INTERNATIONAL NEW VENTURING (INTERACTIVE PAPER)

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INTERACTIVE PAPER

CAUSES AND CONSEQUENCES OF LOOSE COUPLING IN PORTFOLIO ENTREPRENEURSHIP FOR INTERNATIONAL NEW VENTURING

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Principal Topic

This research conceptualises portfolio entrepreneurship (Carter 1998; Iacobucci & Rosa 2003) as a “loosely coupled system” (Orton & Weick 1990). A “system” is a set of interacting units with relationships among them, where the state of each unit is constrained by, conditioned by, or dependent on the state of other units (Miller 1978). “Loose coupling” draws attention to looseness in interdependencies between units – to processes rather than just “things”. Thus, a loosely coupled system is characterized by the determinacy and predictability arising from tight coupling between elements, and the indeterminacy and unpredictability arising from loose coupling (Beekun & Glick 2001). The study explores the causes and the organizational outcomes of loose coupling in portfolio entrepreneurship in terms of new venture creation (including international new ventures), survival, growth and demise.

Method

The research is based on a longitudinal case study of the inception and operations of legally independent but loosely coupled firms that were founded by at least one of three entrepreneurs and subsequently owned, managed and controlled by all three between April 1975 and December 1996. 18 months were spent visiting the cluster from January 1996, followed by several months of follow-up, a period of archival analysis, and further data collection and analysis in late 2002 and 2003. Multiple sources of data (e.g. interviews, observation, archives) were used. The longitudinal research design facilitated the mapping of changes in both the firms’ activities and the broader environment. Orton and Weick’s (1990) model of loose coupling is applied to the history to guide analysis.

Results and Implications

The results draw attention to the importance of loose coupling in terms of resource acquisition (e.g. the transfer of high discretion slack resources); exploiting positive legitimacy spillovers and buffering against negative spillovers; and fostering entrepreneurial autonomy and variation, leading to enhanced learning effects and improved performance. There were also negative effects of loose coupling. Availability of slack resources, for example, may lead to inappropriate strategic choices and managerial biases, such as planning fallacy or escalation of commitment (George 2005). The analysis highlights the importance of ‘penetrating beyond the veil of the firm’ to the patterns of loose and tight coupling between various ventures.

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