6-11-2011

THE INFLUENCE OF INITIAL OPPORTUNITY CHARACTERISTICS ON TIME TO ORGANIZATIONAL EMERGENCE (SUMMARY)

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Recommended Citation
Tornikoski, Erno T. and Renko, Maija (2011) “THE INFLUENCE OF INITIAL OPPORTUNITY CHARACTERISTICS ON TIME TO ORGANIZATIONAL EMERGENCE (SUMMARY),” Frontiers of Entrepreneurship Research: Vol. 31: Iss. 15, Article 12. Available at: http://digitalknowledge.babson.edu/fer/vol31/iss15/12

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SUMMARY

THE INFLUENCE OF INITIAL OPPORTUNITY CHARACTERISTICS ON TIME TO ORGANIZATIONAL EMERGENCE

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Principal Topic
Organizations come to exist when they make the first sale, hire employees, and receive external financing (Reynolds & Miller, 1992). By speeding up the emergence process a nascent entrepreneur can gain, for example, financial independence and legitimacy (Schoonhoven et al. 1990), and competitive advantage (Stalk, 1988). Therefore, a nascent entrepreneur should strive to exploit the identified opportunity as promptly as possible. Since initial conditions have an important role in explaining entrepreneurial success (e.g. Bamford et al. 2000), we propose that three characteristics of opportunities - Market & Technological novelty and Opportunity familiarity- have a universal (across industries and different types of ventures) effect on how long it takes to transform a nascent organization into operational one.

Method
To test our ideas we use the PSED II database (n=1214). At the time of our empirical research, five waves (A-E) of panel data from the same individuals were available. Multiple linear regression analysis was used to test the hypotheses concerning the effects of market novelty, technological novelty, and opportunity familiarity on the time to organizational emergence. The main assumptions for using multiple linear regressions (normality of the variables, homoscedasticity, and independence of the independent variables) were met.

Results and Implications
While the current trend in entrepreneurship field is to promote the idea that the behaviors of nascent entrepreneurs define when and how a new organization emerges (c.f. Delmar & Shane, 2004; Tornikoski & Newbert, 2007), our empirical results indicate that opportunity characteristics also have significant effects to these ends. More specifically, both Opportunity familiarity and Technical novelty significantly shorten the time to organizational emergence (p<.05) among nascent enterprises.

Besides the requirement for nascent entrepreneurs to acquire critical resources at minimum cost (Starr & MacMillan, 1990), our study demonstrates that the timing of resource acquisition matters. As such, we believe our results can provide guidance to those individuals actively trying to start a new organization. In their quest for external legitimacy, cash-flow, and competitive advantages, aspiring entrepreneurs should dedicate their efforts to opportunities which are close to their cognitive frameworks (life experience, knowledge), and add some technological novelty.

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