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LESS BECOMES MORE: THE RELATIONSHIP BETWEEN CONSTRAINTS AND OPPORTUNITY IDENTIFICATION IN SMES (SUMMARY)

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≈ SUMMARY ≈

LESS BECOMES MORE: THE RELATIONSHIP BETWEEN CONSTRAINTS AND OPPORTUNITY IDENTIFICATION IN SMES*Elco van Burg, Eindhoven University of Technology, the Netherlands**Ksenia Podoymitsyna, Eindhoven University of Technology, the Netherlands**Lien Beck, Hasselt University, Belgium**Tinne Lommelen, Hasselt University, Belgium***Principal Topic**

Resource constraints can have positive and negative effects on identifying entrepreneurial opportunities. To explain the mixed effect of resource constraints, researchers have proposed that the relationship is curvilinear. Following an alternative approach, we distinguish between different types of constraints and between multiple sources of opportunities. We divide the resource constraints into liquid constraints, which can be solved quickly (e.g., financial constraints), and sticky constraints, which take more time to be overcome (e.g., human resource constraints). Opportunities are conceptualized as originating from either exogenous changes (e.g., policy changes) or from supply/demand misalignment (e.g., changes in competition). We explore the relationships between different constraints and specific opportunities the firms' management teams identify, and consider the effect of the complementariness of the constrained domain and the opportunity domain.

Method

The study sample includes 184 Dutch entrepreneurial firms. We use both quantitative and qualitative data. Information on part of the constraints was collected by an interview and a survey with the CEO's. The data on opportunities and some additional constraints were identified during a strategic conversation session with the firm's management team. All qualitative information was coded by multiple coders (86% agreement). The hypotheses were tested by Poisson regressions with robust standard error estimator.

Results and Implications

We find that particular constraints are related with specific sources of opportunities. Liquid resource constraints lead to identifying more opportunities from supply/demand misalignment. However, we do not find an effect of sticky resource constraints on identifying particular opportunities. We also find that constraints and opportunities are usually not complementary: constraints in a particular domain lead to identifying fewer opportunities from complementary opportunity sources, while the number of identified opportunities from non-complementary opportunity sources increases. Our results show that only differentiating between types of constraints or only between sources of opportunities does not offer a complete explanation of the effect of the resource constraints on opportunity identification. Rather, studies should take into account the combination of types of constraints and sources of opportunities.

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