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THE BLESSING OF NECESSITY AND ADVANTAGES OF NEWNESS (SUMMARY)

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The paper explores the advantages of newness and positive aspects of resource constraints, critically departing from predominant assumptions of constraints and newness. At first glance, starting a profitable new business seems like an impossible mission, and theoretically the odds are stacked against new and emergent firms. In the paper we develop, based on earlier research, six theoretical concepts (legitimacy, fashion, flexibility, networks, bootstrapping, and motivation), examining the advantages of new venture entry. We examine these concepts because earlier research has tended to focus on the liabilities of newness with considerably less scholarly effort put into investigating the advantages of being new on the market.

Method

The paper is based on a multiple case study consisting of nascent inexperienced entrepreneurs, with severely constrained access to resources. The empirical data is collected from a variety of sources, but the main source is weekly logbooks describing the start-up phase in new venture creation during a one-year training/incubation program in Sweden, resulting in a longitudinal perspective. In addition to this, business plans, theoretical reflections, mail correspondence and observations have been used.

Results and Implications

Based on the data, the analysis shows that even though these entrepreneurs face resource constraints and liability of newness, they also use strategies to leverage their constraints and novelty as an advantage in advancing their venturing efforts. This is especially seen in the way they build up legitimacy through collaborations with non-governmental organizations, which is possible due to their lack of negative track record. Furthermore, the use of mentors for networking was acknowledged as an important aspect for these nascent entrepreneurs. In addition to mentors the cases also showed that by building up a network among other emergent firms, they were able to create a social hub for sharing thoughts and experiences within the group, leading to additional feedback on their businesses. Theoretically, we demonstrate in some detail, what “necessity is the mother of invention” means for nascent ventures, in its capacity to target markets as well as in its abilities to address competitive resource gaps. Practically, we hope to inspire some optimism by emphasizing and clarifying some of the advantages of resource constraints and novelty.

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