ENVIRONMENTAL VELOCITY, COMPLEXITY, UNPREDICTABILITY AND AMBIGUITY: A STUDY OF ITS CONSEQUENCES FOR THE STRATEGIC REPERTOIRE OF NEW VENTURES (INTERACTIVE PAPER)

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ENVIRONMENTAL VELOCITY, COMPLEXITY, UNPREDICTABILITY AND AMBIGUITY: A STUDY OF ITS CONSEQUENCES FOR THE STRATEGIC REPERTOIRE OF NEW VENTURES

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Principal Topic

Research suggests that new ventures (NVs) aiming to grow rapidly need to devote considerable time, resources and efforts to develop strategic variety (Ferrier, 2001; Larrañeta, Zahra & Galán, 2014). That is, NVs need to simultaneously deploy a wide range of competitive actions, such as cutting prices, altering product lines and advertisement adjustments, to gain share quickly in each of the markets targeted (Miller & Chen, 1996). Yet, building strategic variety does not always represent a practical alternative for NVs due to their severe resource limitations (Rindova, Ferrier & Wiltbank, 2010).

This paper describes a study of the specific environmental circumstances under which NV managers decide to simplify or broaden their strategic repertoires. Unpacking the degree of environmental dynamism into its four fundamental sub-dimensions (Davis, Eisenhardt and Bingham, 2009), this paper specifically explores: What are the effects of the degree of environmental velocity, complexity, unpredictability and ambiguity on the choice between strategic simplicity and variety in NVs? In answering this question, we build on the Awareness Motivation Capability framework (Chen, 1996; Chen, Su & Tsai, 2007; Yu & Canella, 2007).

Methods

We test our hypotheses on a longitudinal data set comprising a sample of 70 service NVs that entered the Alternative Investment Market (AIM) from the London Stock Exchange during the period 2006-2009. The sample includes 4 different cohorts of NVs followed for at least four years. Our data collection combines archival data from three different sources: these companies’ annual reports accessible through AIM, AMADEUS and EUROSTAT.

Implications

Together, our theory and findings contribute to the entrepreneurship literature by showing how exogenous forces affect venture managers’ strategic decisions, in particular their choice between simple or varied strategic repertoires. Our study additionally enriches our knowledge about the industry environment by unpacking the differing strategic effects of the sub dimensions of environmental dynamism: velocity, complexity, unpredictability and ambiguity. Further, our study adds to the competitive dynamics stream of research by refocusing the attention towards NVs, firms at their early stages of development, an area almost so far neglected in the literature (Chen & Miller, 2012).

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