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Richard Hunt
rahunt@mines.edu

Yue Song
Virginia Tech

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INNOVATIVE PERFORMANCE AND THE FATE OF NEW VENTURES IN EMERGING INDUSTRIES: EVIDENCE FROM THE MICRO-SATELLITE INDUSTRY

Richard A. Hunt, Colorado School of Mines, USA
Yue Song, Virginia Tech, USA

Principal Topic

New ventures seeking to establish a presence in emerging industries face conflicting challenges. On the one hand, they need to legitimize themselves in accordance with industry standards to mitigate perceived adoption risk and enhance organizational legitimacy. On the other hand, they must display sufficient distinctiveness to differentiate themselves from the competition. Start-ups possess the initial knowledge endowments of their founders, but the founding team's knowledge is often insufficient for new ventures to survive. Navigating the fine line between survival-driven conformity and value-capturing novelty in an emerging sector requires the ability to identify and leverage external resources through collaborations with suppliers, competitors, customers and complementors. Using novel data from the emerging micro-satellite industry, we develop and test a new bifurcated sorting mechanism in which start-ups employing legitimization strategies will be most successful aligning with competitors and complementors in an emerging industry, while start-ups pursuing a differentiation strategy will produce superior performance by pursuing alliances with their customers and suppliers.

Methods

We tested our proposed framework using the emerging small satellite industry, which are 10*10*10 cm³ units, with a maximum mass of 1.33 kilograms, and a launch cost of just $40,000. This industry provides an ideal context to explore how new ventures leverage external resources to improve performance. Firm and founder data is drawn from the NewSpace Global database, an exhaustive collection of 730 private firms and 210 public firms operating in small satellite manufacturing. Complementary products are determined through innovations related to established launch vehicles, ground equipment, and service providers, including applications for cable and radio service, reconnaissance, and surveillance. Novel applications include Internet and cell phone communication service, low latency weather, environment monitoring, earth observation, and navigation systems.

Results and Implications

The results provide strong support for the proposed framework. Specifically, new ventures pursuing a legitimization strategy are best served by collaborations with competitors and complementors in an emerging industry. New ventures pursuing a differentiation strategy, on the other hand, are best served by collaborations with their customers and suppliers. Our framework helps to explain how the heterogeneous abilities to leverage external resources impacts the relative performance of each start-up's innovations.

CONTACT: Rick Hunt; rahunt@mines.edu; (T): 7203348685; Division of Economics & Business, Colorado School of Mines 816 15th St. Golden, CO 80401 USA.