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PENROSIAN RESOURCEFULNESS AND THE EMERGENCE AND PERFORMANCE OF NEW FIRMS: A STRATEGY THAT HOLDS? (SUMMARY)

Trenton A. Williams

Whitman School of Management, Syracuse University, USA, tawil101@syr.edu

Sara Thorgren

Luleå University of Technology

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 SUMMARY **PENROSIAN RESOURCEFULNESS AND THE EMERGENCE AND PERFORMANCE OF NEW FIRMS: A STRATEGY THAT HOLDS?**

Trenton A. Williams, Syracuse University, United States

Sara Thorgren, Luleå University of Technology, Sweden

Principal Topic

In this study, we empirically explore the broader impact of resourcefulness on the entrepreneurship process by asking: *How does early resourcefulness among new firms affect performance?* In answering this question, we build on the Penrose's (1959) work emphasizing the versatility of resources, which has been underutilized in favor of variance-oriented resource theory. In developing our theoretical model, we classify two types of resourcefulness: resource versatility—flexible use and deployment of limited resources—and bootstrapping—use of creative methods for “meeting the need of resources without relying on long-term external finance from debt holders and / or new owners” (Winborg & Landström, 2001).

Method

We test hypotheses using a dataset of over 2000 limited liability new firms in Sweden, founded between 2006 and 2009. We employ the audited financial statements of these firms for our measures. We examine performance using four dependent variables (survival, longevity, sales growth and profit).

Results and Implications

Our results suggest two major findings. First, there is major variation in versatility and bootstrapping over time. This suggests that these approaches to resourcefulness are not necessarily direct strategies employed by most firms over time. Second, the use of versatility and bootstrapping in the first year of operations affects both short- and long-term performance, but in different ways. Employing resourcefulness strategies at early stages of development impact survival. Bootstrapping has an impact on sales growth in both the short-term and long-term. Versatility, on the other hand, impacts short-term but not long-term profit. Overall, the results indicate the significance of resourcefulness as an important component of initial founding conditions that can have notable impacts on new firm performance over time. Both versatility and bootstrapping should therefore be conceptualized as something more than a “last chance” action in periods of extreme constraint. Furthermore, these findings offer a critical step in measuring and testing financial resourcefulness using secondary data, as opposed to self-report survey data. This extends the literature on venture resourcing inasmuch as it proposes relevant modes of systematically measuring these concepts using quantitative data. This study, therefore, is likely to spur additional scholarship to better understand how resourcefulness shapes entrepreneurial outcomes and processes.

CONTACT: Trenton A. Williams, tawil101@syr.edu, (T) 315.443.3432, Syracuse University, Syracuse, NY 13244, USA.