THE ROLE OF FINANCIAL BOOTSTRAPPING MENTALITY FOR HANDLING LIABILITY OF NEWNESS (SUMMARY)

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SUMMARY

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Principal Topic

From earlier research we know that new businesses face a number of barriers of entry or so-called liabilities of newness. The different liabilities of newness are in turn assumed to make acquisition of resources difficult. At the same time, more recent research has highlighted the role of financial bootstrapping for handling finance and need for resources in new businesses. However, no empirical study has specifically examined the role of financial bootstrapping for handling liability of newness. Against this background the purpose of this study is to: (i) develop an operationalization of financial bootstrapping mentality, and (ii) analyze the relation between financial bootstrapping mentality and perceived liability of newness.

Method

A postal questionnaire was sent to 120 new business managers in business incubators in Sweden. The response rate is 76 per cent. Financial bootstrapping mentality is operationalized in three dimensions. The first dimension relates to whether the managers believe that need for resources can be secured without financial cost or not. The second dimension captures the managers’ perceptions as regards value of resources, and the third dimension examines perceptions as regards use of resources without owning them. Liability of newness is operationalized in terms of perceived problems handling internal and external activities. The hypothesis as regards the relation between bootstrapping mentality and liability of newness is tested using bivariate correlation.

Results and Implications

In line with the hypothesis the overall finding is that all three dimensions of financial bootstrapping mentality show a negative correlation with perceived liability of newness. However, it is only the dimension related to securing resources at no cost that shows a significant correlation. Furthermore, the analysis shows that all three dimensions of bootstrapping mentality correlate much stronger with external than internal liability of newness. Two of the dimensions show a significant correlation with external liability of newness, namely securing resources at no cost and use of resources without owning them. Taken together, the findings indicate that new business managers possessing a bootstrapping mentality in a less degree perceive problems handling liability of newness in comparison with managers lacking or showing a weak bootstrapping mentality. This is especially so when it comes to perceptions related to external liability of newness.

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