WHERE DO SLACK RESOURCES MATTER MOST? (SUMMARY)

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**SUMMARY**

WHERE DO SLACK RESOURCES MATTER MOST?
A CONFIGURATIONAL APPROACH

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**Principal Topic**

Resources are a cornerstone of firm growth (Penrose, 1959). However scholars contend whether discretionary resources, or slack, have positive or diminishing effects on performance. Recent studies (George, 2005; Tan & Peng, 2003) have confirmed earlier theorizing suggesting there is an optimal level of slack after which performance will go down (Sharfman, et al., 1988). While these studies are helpful in reconciling juxtaposed theories, they may not provide the only explanation for both positive and diminishing effects of slack when studies are conducted across several industries. A complimentary approach towards understanding these phenomena recognizes that “a multidimensional constellation of conceptually distinct characteristics may commonly occur together” (Meyer, Tsui, & Hinings, 1993). It is the configuration of these strategies, structures, resources, and environments among other dimensions that provide greater specificity to organizational actions and outcomes. New firms typically start small with simple and emergent structures. Of greater concern for nascent organizations are pressures (Hannan & Freeman, 1989) in the environment when the availability of resources are often the most tenuous. Therefore, discretion can be examined on two levels – that afforded by the environment in conjunction with firm-level discretionary resources. With this in mind, we investigate the following:

*Research question:* In what specific environments are slack resources most important for new organizations to improve performance?

Our model follows recent empirical work (e.g. Goll & Rasheed, 1997; Baum & Wally, 2003) and descriptions of market context described in the life cycle literature (e.g. Eisenhardt & Schoonhoven, 1990) by accounting for configurations of resources available in the environment (*munificence*) and uncertainty in firm growth (*dynamism*).

**Method**

We conduct this panel study from a population archive of all Swedish companies utilizing a cohort of 960 start-up firms from their inception in 1994 through 2002.

**Results and Implications**

Our findings suggest the following: (1) slack-performance curves may take different shapes depending on the context; (2) firm level discretionary resources are particularly valuable if the environment does not afford them; and (3) the pursuit of opportunity without regard to resources currently controlled (Stevenson & Jarillo, 1990) may have boundary conditions depending on the both the availability of resources from the firm and environment.

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