(RESOURCE) CONFIGURATIONS FOR TOP PERFORMING START-UPS: AN EXPLORATORY STUDY WITH CLASSIFICATION TREES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

(RESOURCE) CONFIGURATIONS FOR TOP PERFORMING START-UPS:
AN EXPLORATORY STUDY WITH CLASSIFICATION TREES

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Principal Topic

In new venture performance research, initial resources have been increasingly investigated as determinants of success in the wake of the rise of the Resource-Based View. Even though much progress has been made in this area, important research gaps remain. A first is the neglect of interdependencies between initial resources. Black and Boal (1994) suggest that resources can be compensatory, enhancing or suppressing. The result is that the value of a resource for firm performance cannot be derived in isolation and can only be assessed in combination with other resources. Moreover, resource bundles form a greater source of competitive advantage in comparison to individual resources because their complexity and ambiguity makes them extremely difficult to imitate. A second gap is the neglect in current research of taking into account multiple contingencies in the initial resource-performance relationship. Configuration approaches suggest that resources should be matched to the firm’s strategy and environment to achieve superior performance. We address both gaps and investigate which organizational configurations, existing of three dimensions: resources, strategy and environment, can be associated with financially superior start-ups. We do so by means of the analytical technique of classification trees. Tree analysis provides an assessment, in sequence and in combination, of the resources, strategies and environmental characteristics that are associated with good performance results.

Methods

The decision tree analysis is conducted on a dataset of 637 Flemish start-ups containing information on their management structure, initial resources, strategic orientation, environmental characteristics and financial health.

Results and Implications

Our research shows that multiple ideal configurations exist, suggesting there are multiple pathways to success. Moreover, this study offers insights into the complex relationships that exist between resources and between resources, strategy and environment. This study also makes use of an innovative analytical technique that allows detecting the most discriminatory variables and variable levels in a start-up’s performance. As such, we contribute to the development of the Resource-Based View and offer practical guidelines to start-up companies as to the organizational combinations that enhance financial health.

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