OPERATIONALIZING THE RESOURCE BASED VIEW FOR NASCENT AND YOUNG FIRMS: DEVELOPING SCALES FOR RESOURCE ADVANTAGES AND DISADVANTAGES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

OPERATIONALIZING THE RESOURCE BASED VIEW FOR NASCENT AND YOUNG FIRMS: DEVELOPING SCALES FOR RESOURCE ADVANTAGES AND DISADVANTAGES

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Principal Topic

The Resource-Based View (RBV) (e.g. Wernerfelt, 1984), a prominent theory within Strategic Management, has recently attracted renewed theoretical attention in entrepreneurship (e.g. Alvarez & Busenitz, 2001; Alvarez & Barney, 2004). Yet empirical work is in its infancy – in part due to a lack of well developed instruments for measuring RBV constructs within the entrepreneurship arena. Our objective is to address three limitations of current empirical measures: (i) Few studies directly measure the characteristics of resource configurations that deliver competitive advantage, such as Barney’s (1997) well known Valuable, Rare, Inimitable and Organizational framework. (ii) Measures for resource characteristics commonly linked to competitive advantage of entrepreneurial firms. (iii) While traditional RBV focuses on competitive advantages, measures should also consider competitive disadvantages often faced by newly established firms.

Methods

The study proceeds in three stages: (i) Scale development: where possible we adapted scales from previous work. Block one measured the level of resource advantage or disadvantage relative to competitors, including: network capabilities; marketing / customer service expertise; technical expertise; flexibility; costs; industry knowledge / alertness and product / service advantages. Respondents then nominated the most important resource advantage (and disadvantage) of the firm. A four item scale measured ease of imitation by other firms (ease for the firm to overcome disadvantage). (ii) Scale refinement based on an on-line sample (N=38) and a telephone interview (N=78). (iii) Scale testing conducted as part of Wave 1 of CAUSEE, a Australian PSED type study. A random sample of 600 nascent and 600 young (<3 years) firms, and a judgement over-sample of approximately 100 high potential businesses in each category.

Findings and Implications

At the time of writing, the main data will be delivered in approximately two weeks. Based on a preliminary sample of 715 firms the factor structure of the items confirmed the distinctiveness of constructs. Reliabilities are acceptable (Cronbach alpha 0.71 to 0.84) except for flexibility (0.65). The study will provide an opportunity for researchers to better operationalize RBV theory in studies within the domain of entrepreneurship. This is a fundamental requirement for the ability to test hypotheses derived from RBV in systematic, large scale research studies.

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