6-6-2009

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Recommended Citation
Volery, Thierry and Schneider, Christine (2009) "THE DETERMINANTS OF VENTURE PERFORMANCE IN A HIGHLY DYNAMIC SERVICE INDUSTRY (INTERACTIVE PAPER)," Frontiers of Entrepreneurship Research: Vol. 29: Iss. 10, Article 7.
Available at: http://digitalknowledge.babson.edu/fer/vol29/iss10/7

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INTERACTIVE PAPERS

THE DETERMINANTS OF VENTURE PERFORMANCE IN A HIGHLY DYNAMIC SERVICE INDUSTRY

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Principal Topic

In this paper we seek to contribute to the development of an integrative framework on "critical success factors" by building and examining seven models of restaurants performance. Consistent with the fundamental paradigm of strategy according to which the firm must develop strengths that match the key factors in its industry, we seek to uncover the 'key success factors' in this highly dynamic industry. We examine the impact of the competitive strategy on the performance along two lines: first by testing the impact of strategy as an independent variable on performance; and second by examining the mediating relationship of strategy as it can intervene between the resource base of the firm and performance. In doing so, we offer an expanded definition of co-alignment, moving away from questions that examine fit as "when to questions that ask "why or how".

Method

In accordance with the resource-based view (RBV) entrepreneurship can be viewed as a process of identification, acquisition and accumulation of resources to pursue business opportunities. Thus, the RBV sees companies as very different collection of physical and intangible assets and capabilities. Venture performance was measured along two dimensions: survival and success. Success was measured by a series of objective (profitability, sales growth) and subjective factors (achievement of personal objectives). We collected data through face-to-face interviews with 121 owner-managers of restaurants operating in the city of St. Gallen in Eastern Switzerland.

Results and Implications

Results indicate that reputation, a service-focused strategy, the entrepreneur's knowledge, and family support have a positive influence on performance. The service culture and entrepreneur's network have a positive impact on performance only if they are deployed together with an adequate strategy (i.e. with a focus on service, as opposed to a product "what's on the plate" strategy). Like most service firms, the family of the entrepreneur is often actively involved in the business. However, the importance of family support diminishes as the firm matures. When testing for indirect influence of strategy as a moderator, we found that the entrepreneur's network had a non-linear, negative effect on performance. Entrepreneurship in the restaurant sector is thus inherently a networking activity.

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