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INTERACTIVE PAPER

RESOURCE DEPENDENCY AND EXTERNAL BOARDS IN HIGH TECH START-UPS

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Principal Topic

This study examines the perceived contributions of external boards to the survival and success of high-tech start-ups from a resource dependency perspective. Existing research on the role of boards has nearly exclusively focused on large firms. What is less clear from the extant literature, however, is the extent to which external boards are actually valued by start-up teams. Our paper addresses the following research question: To what extent can the degree of resource poorness of high tech start-ups explain the contribution that boards make?

Methods/Key propositions

In order to address our research question, we use a database of 140 high tech start-ups with external boards in Flanders, Belgium. The primary data source is a structured questionnaire carried out through personal interviews with the CEO. The perceived value added by the external board was assessed by the CEO in terms of (1) enhancing company reputation, (2) establishing contacts with the external environment and (3) giving advice and counsel to executives.

Results and Implications

The results reveal that in general external boards are valued to a greater extent by ventures that are resource poor at founding, however, some of our findings were intriguing. While founding teams with a higher level of human capital in R&D benefited less from the external board’s interventions, the results show that founding teams with a higher level of commercial human capital perceived greater value added by the external board. Further, we found that the extent to which high tech start-ups could access financial resources did not affect the perceived value added by the board. The results also show that the more diversified the founding team’s human capital, the lower the perceived value added by the board. Our findings also suggest that high tech start-ups that dispose of fewer technological resources benefit more from the external board.

Overall, our findings suggest that resource dependency alone is not sufficient to explain the perceived role and contribution of external boards in these ventures. Ventures better endowed with certain resources valued the external board more than resource poor ventures. This suggests that there may be an issue of absorptive capacity.

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