TAKING A CLOSER LOOK AT THE WINGS OF THE BUTTERFLY - AN EMPIRICAL INVESTIGATION ON COMPETITIVE STRATEGIES OF TECHNOLOGY-BASED NEW VENTURES (INTERACTIVE PAPER)

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INTERACTIVE PAPER

TAKING A CLOSER LOOK AT THE WINGS OF THE BUTTERFLY – AN EMPIRICAL INVESTIGATION ON COMPETITIVE STRATEGIES OF TECHNOLOGY-BASED NEW VENTURES

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Principal Topic

Researchers have included competitive behavior into models explaining new venture performance. But, although the potential advantage of a carefully set-up competitive strategy has been discussed, still, little is known about the phenomenon competitive strategy within the setting of new ventures. Creating a competitive strategy that allows overcoming the liability of newness and the liability of size is a critical task. To succeed, the competitive strategy needs to address market circumstances and suit the scarce resource base and capabilities. Existing literature does not give much practical and theoretical advice on this topic. Particularly, knowledge is limited regarding the interaction of competitive strategies with environmental circumstances and resource-based capabilities. We pose three questions: How do different types of competitive strategy relate to new venture performance? How do competitive strategies interact with environmental circumstances? How do competitive strategies interact with resource-based capabilities?

Method

To test hypotheses on the performance and interaction effects of competitive strategy, we utilized a representative sample of 285 German independent new ventures. In order to control for size and age effects we generated an additional sample consisting of established companies. To formally test the hypotheses we used SEM and partial least squares as the most suitable approach for analyzing relatively small sample sizes and research models with formative and reflective constructs.

Results and Implications

Our research enhances knowledge about the phenomenon competitive strategy within the setting of new ventures by testing the performance effect of different competitive strategies and providing insight into the relationship between such and environmental circumstances as well as resource-based capabilities. By generating and testing a model of twofold strategic fit, we offer a distinctive analytical approach that contributes conceptually and theoretically to the entrepreneurial strategy literature.

We generate several valuable recommendations for practitioners how to deal with competitive strategy as a new venture. For instance, we give advice which competitive strategy should be implemented under specific internal and external conditions. Further, we present advice regarding the question whether internal or external factors should be considered more intensively when crafting competitive strategy. A clear understanding of such factors will enable practitioners to better identify viable strategic options and help achieving superior company performance.

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