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FOUNDING CONTEXT, BUSINESS MODEL AND PERFORMANCE OF NEW VENTURES IN EMERGING ECONOMIES - A LONGITUDINAL STUDY (INTERACTIVE PAPER)

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INTRODUCTION

The rapidly changing business environment accompanying successful economic reforms in India provides a natural experimental setting for this study. This secondary data based longitudinal (seven years) multi-industry quantitative study with a sample of 1911 Indian private sector ventures, investigates the effects of two types of founding contexts: specific eras after economic liberalization in India, and affiliation of ventures to business groups. Two dimensions of business model studied are: orientation towards ramping up physical assets, and orientation towards developing technological capabilities. The performance dimensions studied are growth and profitability.

Results and Implications

The research reveals: the diversity of founding contexts result in variation in both firm performance and business models, but the strategic choices exercised by entrepreneurs tend to overcome these variations by dynamically moderating these effects. This leads to convergence of the firm performance over a period of time. The study validates the organizational imprinting hypothesis for broad macroeconomic founding contexts specific to emerging economies, extends the theory to illustrate how entrepreneurial strategies dynamically moderates the effect of organizational imprints on firm performance. The findings emphasize the role of the entrepreneur in reestablishing the relationship with the environment which has undergone significant change subsequent to founding and provide insights into how this is carried out.

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