THEY ARE THE SUM OF THEIR OPTIONS: HOW NETWORKS DIRECT ATTENTION IN YOUNG & NEW FIRMS (SUMMARY)

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SUMMARY

THEY ARE THE SUM OF THEIR OPTIONS:
HOW NETWORKS DIRECT ATTENTION IN YOUNG & NEW FIRMS

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Principal Topic

Extant theorizing suggests that the portfolio of strategic options held by the firm is defined as a function of how existing routines, governance structures, and information channels focus the attention of decision-makers (Barnett, 2008). In the case of new ventures, however, these established routines, structures, and channels are absent or weak. Questions as to the mechanisms through which founders/founding teams focus their attention toward developing a portfolio of strategic options are important, but under-developed in the literature. In this study we bring together the foundational tenants of options reasoning with the Attention Base View (ABV), investigating the general proposition that when identifying the set of strategic options held by the venture, the professional and personal networks of the founder/founding team serve as substitutes for established routines, structures, and information channels characteristic of large firms.

Method

This research is based in two separate but inter-related studies. In Study 1 we employ a multiple-case study design based on replication logic, and conduct semi-structured interviews with 12 founders of ventures between 2 and 5 years. Analysis across cases serves to identify emerging conceptual insights (Brown & Eisenhardt, 1997). In Study 2, the insights from Study 1 are operationalized in a survey instrument. Data is collected from 75 start-up entrepreneurs in the northeastern United States. We examine professional networks in terms of the customers, suppliers, competitors, and financiers; personal networks include family, community, and social groups. UCINET is used to calculate network measures, and hierarchical multivariate regression analysis is employed to determine the influences of network types on attention.

Results and Implications

Options are important for new ventures, and our findings suggest that absent formal structures that focus attention, new ventures rely of social networks to inform their strategizing with regard to strategic options. Our results are grounded in rich and systematic data positioned to better understand networks (i.e. structural holes & ties), and how they influence the options identified by the venture. As such, we offer insights that help open up the “black box” of what lies behind the behavior of new firms.

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