INNOVATING IN OPAQUE ENVIRONMENTS: THE PERFORMANCE IMPLICATIONS OF VENTURE ORIGIN IN UNCERTAIN AND AMBIGUOUS ENVIRONMENTS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

INNOVATING IN OPAQUE ENVIRONMENTS: THE PERFORMANCE IMPLICATIONS OF VENTURE ORIGIN IN UNCERTAIN AND AMBIGUOUS ENVIRONMENTS

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Principal Topic

New ventures can be started by independent entrepreneurs (IVs) or by corporate parents (CVs). Research has shown that origin influences a new venture’s access to resources, its autonomy, its decision making process and its performance (Hitt et al., 1999; Zahra, 1996). Research has also shown that the value of resources varies depending on the conditions a firm faces in its environment (Miller & Shamsie, 1996). Since resource availability differs based on venture origin, and resource value depends on environmental conditions, then a question arises whether venture origin would be expected to influence performance in different environments. This question is the primary focus of this study.

Utilizing the knowledge-based perspective, numerous hypotheses are developed and tested investigating the performance of IVs and CVs under different environmental conditions. Specifically, we examine conditions of innovative intensity, uncertainty, and ambiguity; contexts that have implications for the usefulness of knowledge resources and for the comparative advantage of IVs and CVs. While a main focus of this paper is to compare IV and CV performance in different environmental conditions, we also examine how the degree of relatedness between parent and CV impacts CV performance. Research has shown that resource relatedness between parents and CVs has the potential to be either positive or negative depending on the context in which the resources are deployed (Thornhill and Amit, 2001).

Method

The analysis is based on secondary data drawn from the population of all independent and subsidiary incorporated companies registered in Sweden from 1994-2002. The hypotheses will be tested using a fixed effects panel regression model. Measures of performance include sales growth and ROA. Innovative intensity, dynamism and ambiguity are industry level measures.

Implications

This research provides insight into the impact that external conditions can have on the relative performance of IVs and CVs. Understanding the role of venture origin in performance can help these ventures better understand their competitors and the advantages or disadvantages each may face under particular conditions. Evidence is also presented that contributes to a better understanding of the conditions under which parent-venture relatedness may influence CV performance.

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