Frontiers of Entrepreneurship Research

Volume 31 | Issue 4
CHAPTER IV. THE ENTREPRENEUR

Article 22

6-11-2011

ALL ORGANIZATIONS WERE ONCE NEW: REVISITING STINCHCOMBE'S LIABILITY OF NEWNESS HYPOTHESIS (SUMMARY)

Tiantian Yang
University of North Carolina, Chapel Hill, tiantian@email.unc.edu

Howard E. Aldrich
University of North Carolina, Chapel Hill

SUMMARY

ALL ORGANIZATIONS WERE ONCE NEW: REVISITING STINCHCOMBE'S LIABILITY OF NEWNESS HYPOTHESIS

Tiantian Yang, University of North Carolina at Chapel Hill, USA
Howard E. Aldrich, University of North Carolina at Chapel Hill, USA

Principal Topic

In this paper, we re-open Stinchcombe's question of the conditions under which some emerging organizations are more likely than others to survive. We bring the investigation of "the liability of newness" back into the early months of the founding process.

Based on Stinchcombe's original ideas and various follow-up studies, we construct an analytic framework by defining emerging organizations as resource based, boundary maintaining, and socially constructed systems of human activity. Using the three-part definition of emerging organizations, our framework encompasses multiple aspects of organizational emergence which potentially explain the substantial failure rate of young organizations.

Along the three dimensions of emerging organizations, we further distinguish between what nascent entrepreneurs have available when their efforts begin and what they subsequently accomplish during the organizing process. By analyzing the dynamic process of organizational emergence, we examine the extent to which initial endowments doom emerging organizations' early life chances and the extent to which subsequent social activities of resource investment, routine construction, and boundary formation moderate the fate of emerging organizations

Method

We use data from Panel Study of Entrepreneurial Dynamics II (PSED II) to test hypotheses. PSED II started in 2005 with the selection of 1214 nascent entrepreneurs based on screening a sample of 31, 845 adults in the U.S. With weights applied, PSED II has a nationally representative sample of nascent entrepreneurs in the U.S (Reynolds and Curtin, 2009).

Our analytical method is survival analysis, which is ideal to examine emerging organizations' survival because the technique uses information on the occurrence of events and their timing.

Results and Implications

We found that new ventures face a very substantial risk of failure in their early months, with the risk declining rapidly thereafter. At founding, only low levels of financial commitment and lack of industry and startup experience substantially raise the risk of failure. As the process unfolds, however, increased access to resources, enactment of routines, and control over boundaries all contribute to whether a venture survives.

CONTACT: Tiantian Yang; tiantian@email.unc.edu; (T): 919-710-2464; 155 Hamilton CB#3210, Chapel Hill, NC 27599.