UNDERSTANDING THE DEVELOPMENT OF SUBSTANTIVE AND DYNAMIC CAPABILITIES IN NEW VENTURES: THE ROLE OF FOUNDER PERSONALITY AND EXPERIENCE (SUMMARY)

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SUMMARY

UNDERSTANDING THE DEVELOPMENT OF SUBSTANTIVE AND DYNAMIC CAPABILITIES IN NEW VENTURES: THE ROLE OF FOUNDER PERSONALITY AND EXPERIENCE

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Principal Topic

Despite the consensus about the role, which both substantive and dynamic capabilities play to explain firm performance in different environments, much less research has been undertaken on how these capabilities are formed (Zahra et al., 2006). Recent work indicates that capabilities result from different ways of bundling resources and argue that managers play an overwhelming role in this bundling process if the other resources in the portfolio are constraint (Sirmon et al., 2007). This is the case in new ventures, which typically exhibit low levels of resource quality and quantity. We extend this capability view by analyzing how the experience and the different personality styles of founders impact the speed at which substantive and dynamic capabilities are developed in the ventures they create.

Method

In order to address these gaps in the literature, I used a three-step approach. First, I did in-depth analysis in a new venture using participant observation as a data collection technique to construct an instrument to measure substantive and dynamic capabilities. In the second part, I collected data about the experience and personality styles of 144 (co-) founders in 78 new ventures, who had founded their venture within the three years preceding the data collection. In the third part of the research, I collected information about the capabilities which these companies had developed after start-up.

Results and Implications

The results reveal that founders with a conscientious personality (achievement-oriented, structured, planful and well-organised), experience in managing a new venture and experience in the same sector as the start-up will foster the development of substantive capabilities. Founders with a proactive personality and prior industry experience will speed up the development of dynamic capabilities. To summarize, this study makes several important contributions to the capability literature. First, despite the overall accepted importance of substantive and dynamic capabilities, no studies, to our knowledge, ever measured substantive and dynamic capabilities in the context of new ventures. Secondly, this study extends recent work which identifies the managerial ability as a potential source of capabilities.

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