NEITHER OPEN NOR CLOSED: ORGANIZATIONAL BOUNDARY PERMEABILITY AND NEW VENTURE GROWTH (INTERACTIVE PAPER)

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Principal Topic

Theory development on firm growth has been notably slow (Lockett et al., 2011). We suggest that this is in part due to an overemphasis on internal firm resources. Indeed, the resource-based view was initiated as a framework to analyze the internal strengths and weaknesses of a firm (Barney, 1991). This is problematic as new firms are increasingly employing strategies that focus on accessing and leveraging external resources without actually owning them (Dyer & Singh, 1998; Singh & Mitchell, 2005).

In this paper, we introduce the concept of organizational boundary permeability to the study of new firm growth. Boundary permeability refers to the degree to which firms access resources outside of firm boundaries. Establishing the level of organizational boundary permeability is particularly salient in the formation of new ventures. Overly permeable boundaries can lead to dependence on other powerful organizations (Pfeffer & Salancik, 1978), while isolationist strategies may prevent a firm from accessing critical resources needed to overcome liabilities of newness (Stinchcombe, 1965). We examine how new ventures design organizational boundaries to leverage internal and external resources for achieving growth during their first years of existence.

Method

We examine 400 new firms in the Swedish IT and Media sectors. The key variables are captured using multiple item scales validated in the literature. The independent variables consist of scale items meant to operationalize organizational boundary permeability, including the extent to which firms engage in strategic alliances and joint ventures. We control for age, ownership, and industry of the firm. We use hierarchical regression to test our hypotheses.

Results and Implications

This paper makes three significant contributions to the literature. First, we introduce boundary permeability as a valuable theoretical frame to understand the boundary demarcation decisions of new firms. Boundary permeability plays an important role in the nascent strategies and growth trajectories of firms. Second, we move the literature away from an internal-only perspective of resources that much of the literature has adopted. Third, we address tensions in the literature between resource dependence and resource-based theories of organizational boundaries. We thus answer calls to examine the relationship between organizational boundary approaches (Santos & Eisenhardt, 2005).

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