MOBILITY BARRIERS WITHIN STRATEGIC GROUPS: A LONGITUDINAL EXAMINATION OF NASCENT FIRMS (SUMMARY)

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Principal Topic

Research on Entrepreneurship has long explored the tension between the environmental and industry levels as means to explain the performance of new ventures (Davidsson & Wiklund, 2001; Wiklund & Shepherd, 2005). Recent work suggests that the effects of industry on new firms are smaller than on incumbents (Short et al., 2009). Yet the body of research in Entrepreneurship field largely ignores the intermediate level of analysis of strategic groups existing between industry and the firm. A key assumption of the strategic group literature centers on the view that mobility barriers and uneven distribution of opportunities maintains group stability (McGee & Thomas, 1986; Short et al., 2006).

Drawing on Porter’s initial idea that firms following similar strategies constitute a strategic group (Porter, 1979, p. 215), we identify strategic groups as those comprising nascent firms, trading in the same industry and concentrated in one geographic location. We explore the concept of mobility barriers of these firms by examining whether these new ventures change geographic locations, industry, or ownership status. Our hypotheses read:

H1: The strategic group level will have a significant effect on the performance of new ventures.
H2: Firm level attributes will have more influence on new venture performance than industry and strategic group levels.
H3: New ventures that exit a strategic group by changing geographic locations/industry will have higher performance than members of the strategic group restricted by their location.
H4: New ventures that remain in their strategic group by changing ownership will exhibit no change in performance than members that do not change ownership.

Method

Business incubators constitute a unique setting to investigate the behavior of entrepreneurial strategic groups. We use a unique longitudinal dataset covering the entire spectrum of business incubators and their tenants in the United States spanning 18 years. This national census of business incubators observations for 990 business incubators, 18,400 incubated businesses, of which 4,148 belong to a strategic group, and 35,300 non-incubated businesses.

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