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RESOURCE-BASED CAPABILITY TRAJECTORIES OF NEW VENTURES

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Principal Topic

A fundamental task of new firms is to assemble the resource-base needed to generate and appropriate rents from an opportunity. But how do emerging firms develop their resource-based capabilities in the first place? This is a question that has received surprisingly little research attention.

Some early case study insights suggest that emerging firms must transform their initial human, social, financial capitals into organisational capabilities. Traditional strategy perspectives theorise that firms must acquire, bundle and deploy resources. Other approaches to resource development include bootstrapping and more recently effectuation and bricolage. Notwithstanding these valuable research contributions, we were unable to identify any large-scale empirical studies that directly examined the evolution of resource-based capabilities of early-stage ventures over time. Since many theoretical insights have been provided, but a mature, comprehensive theory is yet to emerge, theoretical development can be regarded as intermediate. Consequently we seek to provide an empirical, quantitative exploration of this important phenomenon.

Methods

To make sense of new venture heterogeneity, we employ a novel technique, Latent-class Markov chains, that identifies clusters (latent classes) of new ventures with similar resource configurations from the data. We model the probability that an individual firm will transition from one resource configuration to another from year to year. We collected data in three waves as part of the CAUSEE (Australian PSED) study. 1,186 respondents completed the full Wave 1 interview but with attrition over our three waves of data collection due to both non-response and venture termination reduced our final sample to 634 firms (281 nascent firms and 353 young firms). Firm characteristics that act as antecedents of capability development include human capital, social capital, bricolage, collaboration, internal R&D and financial injections.

Results and Implications

Our results reveal four clusters (latent classes) of resource configurations. Two configurations are more common in the Nascent stage, with firms likely to transition to different configurations as young operational firms. This study contributes to knowledge by i) conducting the first large-scale, longitudinal empirical investigation of early-firm resource trajectories; ii) introducing of a novel methodological approach and iii) testing various theoretical predictions of antecedents of that explain differences in these resource/capability trajectories of new firms.

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