CREATING SLACK: INSTITUTIONAL CONSTRAINTS AND ENTREPRENEURIAL DISCRETION

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CREATING SLACK: INSTITUTIONAL CONSTRAINTS AND ENTREPRENEURIAL DISCRETION

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ABSTRACT

Our longitudinal study of eleven founder-run firms allowed us to induct a hierarchical typology of resourceful behaviors that is useful both in making sense of scattered prior work on entrepreneurial resourcefulness – for example bricolage, improvisation, bootstrapping and thrift – and for guiding future work. Based on our preliminary findings, we propose that by engaging in different sorts of resourceful behaviors founders enact their resource environments in distinctly different ways. Our study provides a foundation for an integrated theory that helps to explain sources and variations in entrepreneurial resourcefulness.

INTRODUCTION

In the longstanding debate about whether slack resources help or hinder performance, the common presumption is that when resource constraints “help” performance it is because they reduce managerial discretion. “The claim is that resource constraints alter the behavior by which resources are garnered and expended, forcing managers to improve allocative efficiency” (George, 2005: 662, emphasis added; Leibenstein, 1976). While generally accepting this overarching logic, other work has argued that discretion exists or can be created even in the face of considerable resource constraints (George, 2005). For example, building on Penrosian (1959) insights, Baker and Nelson (2005: 329) showed that resource-constrained firms “varied dramatically in their responses to similar objective environments,” using bricolage to in effect “create something from nothing.” More recently, Sonenshein (in press) used a longitudinal field study to develop a process model of “creative resourcing” and argued that “necessity can be the mother of all creativity” depending on the behavior of managers and employees.

Because most entrepreneurship at most times and in most places is characterized – for a variety of reasons – by substantial resource constraints (Aldrich & Ruef, 2006) understanding the various ways that founders respond to resource constraints is particularly important to entrepreneurship research. While resource constraints are commonplace, entrepreneurs respond to them in highly varied ways. Studies of firms under resource constraints have provided scattered insights about resourcefulness – for example through studies of bricolage (Garud & Karnoe, 2003), improvisation (Baker, Miner, & Eesley, 2003), bootstrapping (Bhide, 2000) and thrift (Filley & Pricer, 1991) – and yet despite the prevalence of resource constraints and the centrality of resourcefulness to entrepreneurial survival and flourishing, no theory of entrepreneurial resourcefulness has been developed to date. In this paper we explore two simple but fundamental questions: How and why do founder-run firms differ in their patterns of resourcefulness?
To explore these questions, we conducted an inductive multi-year study of eleven founder-run firms dealing with similar environments of objective resource constraints. Due to space constraints, we report on preliminary results for seven of these firms in this paper. Our study allowed us to induct a typology that catalogues and classifies a broad range of resourceful behaviors. This typology serves as the foundation for theory we develop explaining how by engaging in different sorts of resourceful behaviors, founders enact their resource environments in distinctly different ways and thereby encourage or deter future forms of resourceful behavior. Echoing the Weickian theme of enacting one’s environment and its constraints, our core contribution reflects the question implicit in the behavior of the founders we studied, “How can I know what is a resource before I see what I have done with it?”

Our findings contribute to the entrepreneurship literature by providing the foundation for a constructivist theory of entrepreneurial resourcefulness that is useful both in making sense of scattered prior work on entrepreneurial resourcefulness and for guiding future work. The theory we develop contributes to the burgeoning body of research in entrepreneurship that brackets notions of external control through either resource dependence or institutional pressures in order to explore the patterns and possibilities of entrepreneurial agency. As such, it contributes to practice by helping entrepreneurs to understand not only what is possible but also how it becomes possible in the face of negative slack. Our work contributes to our understanding of the micro-processes through which entrepreneurs navigate field-level and broader institutional environments, uncovering some of the choices that determine when institutions are constraining and when they are enabling. Finally, we suggest one way that our findings may shape future work on founder identity.

Theoretical Background

The modal firm in the United States is started with less than $5,000 and the majority of all firms, including those with and without paid employees, are begun with capitalization of well under $50,000 (US Census Bureau, 2007). Typically, the capitalization of entrepreneurial firms is based not on what a firm needs, but instead on what the founder is able to provide personally (Cassar, 2004; Harrison, Mason, & Girling, 2004). In addition to starting with very little by way of slack resources, most private firms exhibit “specialist” forms and even those that grow typically accumulate very little slack (Hannan & Freeman, 1977). Founders who own and manage their firms under resource constraints may have the ability to respond more flexibly than those who have increased available resources in exchange for taking on the fetters of financial stakeholders and giving up some control (Berle & Means, 1932; Ebben & Johnson, 2005). Describing start-ups, Hannan and Freeman (1989: 81) suggested that they are “little more than extensions of the wills of dominant coalitions or individuals; they have no lives of their own. Such organizations may change strategy and structure in response to environmental changes almost as quickly as the individuals who control them.” Although resource constraints may tie their hands in some ways, founders-owners are afforded a powerful source of discretion by their ownership and largely unfettered control over key strategic decisions (Wright, Hoskisson, Busenitz, & Dial, 2000) and this may be enhanced as well by their knowledge of the firm’s history and personal involvement in important stakeholder relationships.
One important way that resource-constrained founders exercise this discretion is through shaping their firms’ approaches to resourcefulness. Our review of prior studies across multiple literatures, informed by our own observations, led us to define resourcefulness as “attempting to deal with problems or opportunities despite ostensibly inadequate resources.” This definition emphasizes behaviors by focusing on “attempts” that are intended to overcome resource inadequacies. It also emphasizes that resourceful behaviors are never guaranteed to deal effectively with challenges and thereby avoids defining the concept in terms of its outcome (Zahra, Sapienza, & Davidsson, 2006). Finally, we use the term “ostensibly” because when resourceful behaviors are successful, they demonstrate that the resources which seemed inadequate were not. As we describe later in this section, the ambivalence of “ostensibly” fits well with the constructionist perspective that resource environments are enacted.

Work by entrepreneurship researchers has documented varied types of resourceful behaviors and developed scattered sets of practical and theoretical insights. Some resourceful behaviors are fully legitimate elements of good management practice in the sense that they are taken-for-granted as acceptable or even de rigueur ways to deal with constraints (Suchman, 1995; Aldrich & Ruef, 2006). For example, both scholarly and practitioner literatures describe how resource-constrained founders may engage in a wide variety of resource conserving and leveraging strategies associated with frugal practice such as “thrift,” “careful cash management,” and “bootstrapping” (Chaganti & Chaganti, 1983; Jao, 2014; Zwilling, 2013). Founders facing challenges for which they have not developed prior plans or routines frequently respond by attempting to improvise solutions and strategies (Baker, Miner, & Eesley, 2003; Hmieleski & Corbett, 2008). They may also engage in seemingly less legitimate forms of resourceful behavior (Baker, 2007), such as bricolage, demonstrating flexibility in their definition of what counts as a potentially useful resource and creativity in resource combinations (Garud & Karnoe, 2003; Levi-Strauss, 1967). Sometimes, resourceful behaviors step over the line from questionable legitimacy to illegality (Baker & Nelson, 2005). Despite the apparent importance of resourcefulness to entrepreneurship (Corbett & Katz, 2013) little effort has gone into moving beyond the accumulation of scattered insights toward developing a theory of entrepreneurial resourcefulness.

In developing the rudiments of a theory of entrepreneurial bricolage, Baker and Nelson (2005: 335) adopted from Weick (1979) the argument that “environments are frequently enacted at least in part when actors refuse to test the limitations defined by institutional or cultural settings.” They summarized their work by noting, “At the broadest level, our answer to the question “How do you create something from nothing?” is by refusing to treat (and therefore to see) the resources at hand as nothing” (Baker & Nelson, 2005: 356). This is a specific expression of the more general Weickian insight that, “On the basis of avoided tests, people conclude that constraints exist in the environment and that limits exist in their repertoire of responses. Inaction is justified by the implantation, in fantasy, of constraints and barriers that make action “impossible.” The constraints, barriers, prohibitions then become prominent “things” in the environment. They also become self-imposed restrictions on the option that managers consider and exercise when confronted with problems. Finally, these presumed constraints, when breached by someone who is more doubting, naïve or uninformed, often generate sizeable advantages for the breacher” (Weick, 1979: 150). This is also consistent with Sonenshein’s (in press) argument that rather than “theorizing that resources primarily act on individuals” that it is useful to examine “how individuals act on objects to turn them into resources” and his finding that managers can increase employees creative resourcing through shaping how they act on the objects available to them.
Unfortunately, while they noted that they also observed other types of resourcefulness, Baker and Nelson (2005) explicitly ignored these in order to focus on bricolage. Subsequent work has failed to further develop the idea that founders enact their firms’ resource environments by testing or failing to test limitations. The theory we develop in this study can be characterized in part as the development and further behavioral specification of this idea. Founders exhibit patterned variation in their use of a variety of resourceful behaviors. These behaviors serve to test resource limitations and thereby to enact their firms’ resource environments.

Data And Methods

In this study, we explored the questions of how and why founder-run firms differ in their patterns of resourcefulness. We conducted a multi-year longitudinal field study using grounded theory methods (Glaser & Strauss, 1967). Our cross-case analysis (Eisenhardt, 1989; Yin, 2009) led to the discovery of distinctive patterns across the firms (Miles & Huberman, 1994) in their approaches to resourcefulness and allowed us to develop a preliminary hierarchical typology of resourceful behaviors. We coded many first-order patterns in our data but over time we narrowed both the list of behaviors and the grouping of those behaviors. Initially we focused on the hierarchical patterns as outcomes but after several months of iteration between our data and emerging theory, including additional data gathering, we discovered that the patterned behaviors served primarily as causes of resourcefulness. This eventually led to the development of a preliminary theory explaining how the use of different resourceful behaviors shaped the enactment of firms’ resource environments and to subsequent patterns of resourcefulness.

We chose the US textile and apparel manufacturing industry as a strategic research site, because it has been characterized by severe resource constraints during much of the last decade. Following a theoretical sampling logic (Glaser & Strauss, 1967), we studied founder-run firms which were of different ages and sizes but all of which faced very similar objective resource constraints. We collected data through interviews with the entrepreneurs, employees, firm stakeholders such as suppliers and customers, members of the communities in which the firm operated and industry experts. Our questions centered on the day-to-day challenges the entrepreneurs faced and their responses to those challenges. Secondary sources of data included company websites, company documentation and general media sources. We also toured manufacturing facilities and observed employees and entrepreneurs in their work and day-to-day interactions. We wrote case reports for each firm and following the method of constant comparison (Glaser & Strauss, 1967), we iterated between our expanding data, the literature and our theoretical insights to develop the typology and findings presented here.

Results

Table 1 summarizes our preliminary results. Our primary discovery was that founders enacted distinctly different resource environments for their firms. They did this through the choice of resourceful behaviors in which they caused their firms to engage. We were not surprised to find that firms differed greatly in the variety of resourceful behaviors they used. We were surprised, however, to discover that the patterning of their behaviors separated into three distinct groups. As shown in Table 1, this patterning formed a nested hierarchical typology comprising three categories. Firms at the top of the hierarchy (“broad”) drew from the entire set of behaviors we observed. Those in the middle of the hierarchy (“moderate”) drew from a subset of the resourceful
behaviors, and those at the bottom ("narrow") used a subset of those used in the middle category. This patterning in turn resulted in the enactment of different resource environments. (See Table 1)

As we shown in Table 1, each category of behaviors in the typology addresses different questions that characterize founders’ orientations. Founders in the “narrow” category led their firms to engage in behaviors addressing the question, “what can we control?” The behaviors in this category, such as bootstrapping, tight cash management, and the acquisition of used assets mainly focus on internal controls and a frugal approach to cost efficiency. This focus reinforces received beliefs about resource limitations and enacts the firms’ environment as “given,” which implies that its contours are already known and obdurate.

Rather than treating resource limitations as given, firms in the “moderate” category ask the question “what can we explore?” – separately, of both the internal and external environments – questioning received limitations and enacting the firms’ environment as “knowable” but not fully known. Finally, firms in the “broad” category engage in behaviors such as bricolage, dramaturgical positioning and coalescing value-based networks question internal and external environments simultaneously, asking, “what can I create?” thereby breaching received limits and enacting the environment as “under construction.” It is important to note that as we move from one category to the next, the meaning of the behaviors at the lower category changes. Thus, for example, while firms in the broad category are also likely to acquire used assets, this is less an end for itself than it is in the case of firms in the narrow category; it is instead an integral part of enabling the broader repertoire of behaviors addressing the question of “what can we create?”

“Narrow”

For firms in the narrow category, much of being resourceful consists in following the behavioral rule that something cannot and should not be done unless and until the appropriate resources are in place. That is, the resourceful element comes from the choices about what not to do. Such choices can represent high levels of discipline. For example, in the absence of external financing for growing working capital needs, refusing to grow faster than the “sustainable growth rate” supported by operating profits (Filley & Pricer, 1991) is resourceful because it conserves resources to continue operations. All of the founders we studied engaged in some of the resourceful behaviors described in the “narrow” category: for example, carefully managing working capital, scavenging used equipment, making use of temporary help in order to align staffing levels closely with needs. These behaviors are taken-for-granted managerial approaches to dealing with constraints which might commonly be considered de rigueur for a competent manager.

Mr. A was proud of the tight control he exercised over each element of his firm’s operations. After more than a decade of experience, he had come to believe that he knew the best way to get the most out of both his equipment and his people. He didn’t believe that this required any special creativity but rather that is was instead simply a matter of disciplined control and effort. “I mean everything’s, our costs have all gone up so much and we’ve not been able to raise our prices … We found out we could manage it more efficiently just by trying to…. I guess it’s always trying to figure out a way to do more with less. It’s that easy.” At one point, he described at such length his detailed understanding of the inflexible requirements of his production process and how it had to run a particular way with a specific number of people in specific positions that he became embarrassed and said, “um, you know, tell me if I’m just giving you more information than you wanna know…”
Mr. A bought most of his input materials on the spot market, based purely on delivered price and while he kept a core group of people employed year round, much of his work during peak demand times was done by short-term temporary workers who he recruited directly rather than using an agency. He adjusted peoples’ hours repeatedly to reduce labor costs, noting how much he disliked “paying people for stand around time.” Business operations were bootstrapped and he bought only used equipment and only did so when he had enough cash. He longed to buy a specific machine that would automate part of the process that constrained capacity below demand during busy periods, but refused to do until he could both find one used and buy it with cash. Mr. A’s sense of pride in tight cost control and production efficiency was reflected as well in the disdain he showed for a nearby manufacturer from whom he had purchased a used machine, when the seller replaced it with a new one. He noted that even after giving up the machine the seller still had twice as much machine capacity as would be needed if he ran a tighter shop and said the deal he found was “like buying a used pickup truck with 30,000 miles on it.”

Despite years of what he viewed as relatively successful operations, Mr. A refused to give up his hands-on role in the production process. He acknowledged that others in the firm could do all of the required tasks but he kept on doing them himself. This helped him to maintain tight control: “kinda a way of staying organized so I know things are happening in order out there, you know.” Through his attempts to drive all material, machine and labor slack and waste out of the system, Mr A. left himself and his firm little slack for experimenting with other ways of doing things, either in his manufacturing operations or in business development. Despite his pride in believing that he ran his business the “right” way, he was aware of the constraints his approach had constructed. Reflecting on his failure to find ways to take advantage of opportunities he perceived to expand his market, he volunteered that perhaps he was stuck in something of a rut, “That’s kinda the hard part is letting that, letting and, letting other people do things.”

By his sole focus on attempting to run things, “the right way,” driving out costs by maintaining tight control, Mr. A had in effect enacted his firm’s resource environment in a manner that reinforced the contours of its limitations largely as “given.” He was doing what he considered the best and right way to run his business and despite feeling somewhat trapped by it, he didn’t know what else to do. Rather than searching for or experimenting from new angles, with new theories, or new approaches to transcend his apparent resource constraints, Mr. A. continued to cherish visions of greater simplicity, treating other businesses not as models of creative ideas he might use but instead wistfully as what he saw as simpler and easier ways to do things: “if we were you know, expanding the … market all over the country, then probably actually would be a wiser thing. It’s hard to believe, you know when you’ve been doing it for [so long].”

“Moderate”

The moderate category includes behaviors moving beyond typical cost control-oriented responses to resource constraints. Founders maintain some control over operations and goings-on but also engage in behaviors that begin to explore the contours of the environment, searching for apparent limitations – either internal or external to the firm – that permit some wiggle room.

For example, reflecting ruefully but with humor at a series of rejections of his attempts to guilt national merchandisers to “buy American” (combination of “low cost probes” and “values claims”) Mr. B acknowledged the constraints that challenged his firm’s day-to-day activities but
said, “I never wanted to have to learn these lessons. [Laughter] I hope I never have to keep, you know, keep relearning them.” He immediately stressed that he would continue pushing these and other retailers to see the importance of his perspective and summarized their efforts more broadly by saying “[We are] constantly trying to reinvent and find the formula that works.” Mr. B described his work as a non-stop sequence of explorations to find solutions, stopgaps and potential opportunities. He and his staff worked closely with suppliers and banks and discovered how close to the edge they could get: “we literally squeaked by…paying most of our bills most of the time.” He explored the limitations of one supplier’s indulgence to a very precise degree, the final deal was such that they wouldn’t “bust my chops on a $400 invoice that goes past 30 days, but that’s it… I know they wouldn’t ship to me if I ordered it.” In a slightly riskier exploration he later described with some regret, Mr. B attempted to “fool around” with a few questionable “tax write-offs” but noted, “I have to give our accountant credit because I’ll kinda sneak a little something in …and the accountant caught it right away.” Mr. B and his accountant also explored internal limitations through tight cash management as they described a “self-imposed penalty…” we did go cash-only. We said either we make it or we don’t, based on what we’re doing ourselves…But we didn’t get any worse in debt than we were.”

In his attempts to gain new customers, Mr. B consistently claimed expertise and promised to deliver top quality products even though the request was something his firm had never done before and when he and his staff admittedly “[did] not know anything about the business.” Mr. B claimed that managing constraints and new business was “really a balancing act between having a vision of what you wanna do and yet being open enough to an opportunity.” These externally-focused low cost probes resulted in gains and some losses as they tried to improvise solutions. Mr. B responded to these issues by trying to learn new skills rapidly and by giving over some control of both financial and operational matters to other people. He also tried to change the way customers viewed his services in order to avoid having to do so much expensive and risky scrambling, “we’re trying our best to convince people that the more time you spend early in the developmental process, the less time it costs you at the end of the process. And it’s real hard to convince somebody to spend money up front, you know.” At one point, his exploration of a deal that seemed too good to be true turned disastrous as the customer skipped town after having committed to orders that had reserved over 80% of Mr. B’s firm’s total manufacturing capacity for the next several months. Even here, his approach stayed focused on exploring limitations, noting within days of the event, “you learn something from this.” Continuing to push forward and question what could work or not work gave him an overall sense of a “knowable” environment which he could continue to explore.

“Broad”

Firms in what we have labeled the “broad” category stitch together an approach to resourcefulness that draws from the full range of resourceful behaviors. Founders maintain looser control and instead encourage their firms to breach received limits by engaging in tinkering and experimentation. Much of the focus for these entrepreneurs and their firms was toward external constituents: what was a potential resource and how could it best be engaged?

Mr. C began his firm when his sister, who he saw as one of many women who shared common values about handmade goods, asked him to help her find a supplier of customized fabrics. When they could find no such supplier, Mr. C, who had had prior experience with mass customization,
thought he saw an opportunity. His sister posted an online survey to a blog asking who would be interested and “within a couple of days, we had 500 responses. It was getting hammered.” They began taking orders, improvising their production activities by begging time on some experimental equipment housed at a nearby company and quickly finding a used version to acquire. From the beginning, they simultaneously tested limitations of their equipment, their operations and their customers.

On the equipment side, he learned that the machines were not designed to handle their application well, and ran slowly, broke down frequently and generated fabric with highly inconsistent aesthetic qualities. There was no local support available and Mr. C – whose primary skills were in marketing – taught himself to be the “head mechanic.” He could not service even a fraction of the orders he had accepted and the quality of the product that “was going out the door” was at best, “barely good enough.” On the customer side, they experimented with what they could get away with. “We would run - and rerun - 2 or 3 times and send out the best of the runs. We would see how the customer reacted and offer to refund the money if people weren't happy.” They positioned themselves as members of the “crafter community,” understanding that for the crafters, “The motivation is the opportunity to express yourself – you're emotionally invested, even if it's not perfect.” Employees of the firm, including Mr. C’s sister, stayed in constant communication with their customers and he suggested that “We benefited from being the first people to do this and have been brought along by this community of people. We were improvising and people were very, very, very patient.”

Equipment deficiencies continued for more than three years. While quality improved, reliability was still an issue. They experimented with running a third shift and dropped back to two after they encouraged production employees with minimal training to do on the fly equipment repairs, and one well-meaning machine operator shorted out a machine, taking out a quarter of their production capacity: “Electricity is supposed to flow this way, and when it plugged back in (motioned with his hands plugging the cables in against the direction of the electricity), it basically fried everything.” They paid machine repair technicians from a company with clear prohibitions against working on equipment purchased in the secondhand market to fly to their facility and make repairs. Even as their revenues grew, they could not get a bank to make equipment loans and their second, third and fourth machines were all purchased only when they had accumulated enough cash.

They remained capacity constrained: “the trouble is that we operate too close to the edge. You know. As it’s – you know, ideally, you'd have enough redundancy and slack in the system.” Despite these limitations, they started experimenting with what it would take to go from a “one product company to a multi-product company.” They found that the manufacture of the new product required shifting some of their basic process chemistry in a manner that interfered with their main product and realized that the ideal process would be to wait until they had spare capacity in which to optimize the process without interfering with production or risking making customers unhappy: “We invited people, customers, into a test group and we made samples for them …and solicited feedback and we got, we got an earful. And our plan had been just to tweak the [product] based on the feedback. But when we dug into it a little bit more we realized that we really didn't know as much as we thought we knew.”
Further complicating matters and suggesting another limitation on what they could “get away with” on the customer side, by the time of this attempted addition of an additional product they were no longer serving only the crafter community. Instead, they had a substantial group of customers who were professionals and who depended on the firm’s products for their own businesses and professional reputations. Mr. C personally valued this development: “You know, uh, you start a business that helps other people do something that they wouldn’t have been able to do otherwise … you know, people are making real money. And they’re getting something going that they couldn’t have done before. So, that’s very motivating. I mean, it makes you feel like you’re contributing something to the world. And you know, having a business that contributes something instead of sort of sucking things away out of the world, that’s um, that’s my idea of ideal.”

Despite these apparent limitations, the firm’s leadership nonetheless continued trying to test the limits of merging the two processes, experimenting simultaneously with technical, production and customer elements and as soon as they were “close” they started a massive conversion: “We actually made a mistake and then we had to rerun it all again. And really, just I mean-- it kind of goes to the core. We were changing the way we do everything…So, there was a lot room for error. We just didn’t do it exactly smoothly. So, with each round of you know changes in directions and mistakes and communicating with all those people, it’s been challenging. We are actually 75 percent of the week as of today notifying everyone, the entire customer base that we’re in the process of changing the way we’ve done [things]. So, we’re beyond the 400 people and we’re at, you know, 30,000 and we’ve got another you know batch of people to notify.” The internal and external experimentations grew more linked as the resource environment was enacted as something “under construction.”

**Discussion And Conclusion**

Our preliminary findings and the theory we develop in this paper provide both a framework for contextualizing and understanding prior descriptions of resourceful behavior in the entrepreneurship literature and also a platform for future research. Our work reinforces and begins to integrate prior constructivist approaches to the nature of resources, such as those building on foundations put in place by Penrose (1959), Levi-Strauss (1967) and Weick (1979), while greatly expanding this perspective within entrepreneurship. A great deal of entrepreneurship research builds off of “open system” assumptions presuming that within fairly narrow bounds, entrepreneurs need to acquire or gain control over specific levels of specific assets in order to move forward toward their goals. At the extremes, this is obviously true and some combinations of goals and resource constraints render progress impossible. But many entrepreneurs are guided by goals that appear rather audacious given the small resource endowments within which their firms begin: remarkably, they often find ways to progress, moving toward their goals while rendering flourishing young organizations from unlikely beginnings. Much of entrepreneurial behavior centers on dealing with resource constraints and both practice-oriented and scholarly writings make clear that firms vary greatly in the extent and type of resourcefulness they bring to bear.

If we take the perspective that rather than passively grasping and responding to resource environments, entrepreneurs instead enact these environments and if we see that the “resourceful behaviors” they choose shape this enactment process, differences in resourcefulness become much easier to understand. Some founders lead their firms to enact environments that look just as constrained from “the inside” as they would to an outside observer. Others engage in behaviors
based on investigating the degree to which apparent limitations really are obdurate constraints. Still others choose resourceful behaviors that enact an environment under the operating assumption that it is malleable to the firm's efforts.

While future work may challenge whether these three categories represent the most useful cut-points between sets of behaviors for future theory building, they provide three direct and immediate benefits. First, they allow us to integrate prior scholarly insights on entrepreneurial resourcefulness. Second, and more importantly, they provide a framework for future investigations, by positing questions of seemingly resourceful behaviors such as, “Does this behavior reinforce, question or breach received limitations about the environment?” As we noted, we merged a large number of first order codes for behaviors into the handful of named resourceful behaviors we present in this paper. We suspect that future research will find additional resourceful behaviors, and our typology provides a grounded theoretical basis for starting to classify and examine them. Third, for practicing entrepreneurs and those who advise them, our theory provides a basis for behavioral guidance that goes beyond suggestions that founders be “more creative” or “more careful” or “more resourceful” by starting to identify specific patterns of behavior that shape the overall resource environment their firms enact.

Work in institutional theory has moved from its long time focus on how institutions constrain behavior toward developing accounts of how institutions enable variation and change (Scott, 2014). Because the environment of “received limits” that entrepreneurs face – at the level of the institutional fields and beyond – is largely a function of cognitive, normative and regulative institutions, the study of entrepreneurial resourcefulness represents an important inquiry into the micro-processes of variation and change in the face of highly institutionalized environments (Baker, Pollock, & Sapienza, 2013).

Finally, recent research has increasingly pointed to the importance of sometimes complex founder identity structures on firm behavior (Powell & Baker, in press). Despite the centrality of resource constraints and resourcefulness to entrepreneurship, work on founder identity has yet to examine resourcefulness as potential source of social or role identities. We suspect that future research will find that “resourceful” identities are an important element of what it means to be an entrepreneur.

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REFERENCES


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<td>What can we control?</td>
<td>Mostly internal</td>
<td>Reinforces</td>
<td>Given</td>
</tr>
<tr>
<td>(2 cases)</td>
<td>• Restricting growth</td>
<td></td>
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<tr>
<td></td>
<td>• Flexible staffing</td>
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<tr>
<td></td>
<td>• Tight Cash Management</td>
<td></td>
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<tr>
<td></td>
<td>• Operational tinkering</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Acquiring used assets</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td></td>
<td>• Calling on embedded ties</td>
<td></td>
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</tr>
</tbody>
</table>

Table 1

**Summary of Results**

Posted at Digital Knowledge at Babson

http://digitalknowledge.babson.edu/fer/vol34/iss14/1