Frontiers of Entrepreneurship Research

Volume 35 | Issue 9
CHAPTER IX. STRATEGY

Article 3

6-13-2015

HOW YOUNG RESOURCE CONSTRAINED START-UPS EXPLOIT OPPORTUNITIES: A RESOURCE MANAGEMENT PERSPECTIVE (SUMMARY)

Robin De Cock
Ghent University, Belgium, robin.decock@ugent.be

Johan Bruneel
KULAK, KU Leuven, Belgium

SUMMARY

HOW YOUNG RESOURCE CONSTRAINED START-UPS EXPLOIT OPPORTUNITIES: A RESOURCE MANAGEMENT PERSPECTIVE

Robin De Cock, Ghent University, Belgium
Johan Bruneel, KULAK, KU Leuven, Belgium

Principal Topic

The enthusiasm about entrepreneurship is often associated with the 'big money' model of entrepreneurship (Bhidé, 1992). This VC-backed model of entrepreneurship, however, is in stark contrast to the traditional low-budget start-ups, which form the overwhelming majority (Pierrakis, 2010). Entrepreneurship research shows a similar bias towards capital intensive sectors (Macpherson and Holt, 2006). As a result, there is very limited research about the founding and subsequent growth of companies that started with little or no access to external finance (Harrison et al, 2004). Previous studies have mainly focused on constraints in the supply of finance, whereas how entrepreneurs create value by exploiting opportunities under financial constraints has been given much less attention (Winborg and Landstrom, 2001). To address this shortcoming in the literature, our study investigates how resource-constrained entrepreneurial firms handle the resource management process under different environmental contingencies.

Method

We use a longitudinal, qualitative case study design and followed 6 London based, resource-constrained start-ups in the first two years of their existence. We theoretically sampled 3 start-ups operating in a low uncertainty environment and 3 operating in a high uncertainty environment. To provide more theoretically grounded insights into the resource management processes in start-ups, we use the extended case method (Burawoy, 1991). Since the resource management perspective already offers a rich variety of insights, we did not want to start from scratch and develop a new theory but preferred instead to use the extended case method to stretch and consolidate the existing work on resource management.

Results and Implications

The results of the case study were able to confirm and extend theoretical understanding of resource management in resource-constrained firms. Firstly, we found that all bootstrapping start-ups start with a resource portfolio which is structured similarly. Human and social resources form the fundamental building blocks of a bootstrapping start-up. Secondly, our findings show that the bundling process was very different depending on the environment in which the firm operates. Thirdly, it was shown that start-ups that chose for a market opportunity leveraging strategy operate in environments with low uncertainty while those operating in an environment with high uncertainty chose for an entrepreneurial leveraging strategy.

CONTACT: Robin De Cock; robin.decock@ugent.be; (T): 003292647959; Department of management, innovation & entrepreneurship, Ghent University, Tweekerkenstraat 2, 9000 Gent, Belgium.