

DEVELOPMENT OF NEW VENTURES THROUGH TIME- A THEORETICAL ACCOUNT

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Abstract:

This paper sets out to conceptually explore the origin, growth and development of a new venture. This new venture development process is explored using ideas from the IMP, Penrose and Loasby and insights from entrepreneurial literature. This paper to frame the discussion loosely uses an ARA frame to discuss this emergent process. The focus is from the firm level. In arguing for what aspects are worth investigating the paper begins by outlining how the contexts in which a new venture emerges impacts on this process. The conditions of the contexts, the institutions in effect, and stages of development are outlined as having an impact. Following on from this, general types of resources required are outlined and it is argued that a particular resource bundle at any particular point in time impact on what a venture can do. Then the activity dimension is outlined and a number of potential activities, including opportunity recognition and legitimating activities, are briefly described. The paper concludes by outlining points of consideration for IMP researchers when considering investigating this area.

Key Words: Context, Activities, Connectivity, Resources, Institutions.

Introduction:

This paper looks to explore issues of new venture creation and development. The reason for this focus is that there has been some but little explicit focus on this process within the IMP (see Keating and McLoughlin, 2009). Key reasons for this include the nature of the research generally undertaken by the IMP and the risks of early disbandment attached to these types of firms, the difficulty in gaining access to them, and the potential paucity of information that may be uncovered (Keating, 2008). In looking at the process of new venture creation and development Gartner (1985) suggests that focus should be placed upon the individuals taking part in a start-up, the activities that are involved in the creation process, how they organise the new venture and the strategies they deploy, and finally the influence of a context on the firm. With much similarity to Gartner (1985), Van de Ven, Angle & Poole, (1989) suggest that researchers should look at how an idea emerged, the different types of competencies that were developed to launch a product, how these competencies are further developed, and the influence and constraints of a firm's industry context. This paper is taken from the firm level¹ and heeding the advice of Gartner (1985) and Van de Ven, Angle and Poole (1989), we aim to conceptually account for new venture creation and development loosely using the ARA frame of Hakansson & Johansson, (1992) and Hakansson & Snehota, (1995) to discuss this process. We also use insights from Penrose (1959/1995) and Loasby (1998, 1999, 2000, 2001a), to develop and explore this. The main questions we address consist of what impact does a new ventures context have on the creation and development process? What resources do such firms need to grow? What activities does a new venture undertake to develop its resource bundle? Such questions regarding the new venture development process remain relatively unexplored within the IMP tradition.

The aim is to shed some light on these particular questions and point to what a researcher with an interest in this area needs to consider when exploring the development of a new venture. As such this paper begins by exploring the context in which new ventures and their perceived opportunities are embedded. In this section of the paper the conditions of contexts, the stages of development of a new venture, and actors and institutions in effect are discussed to show the impact that these can have on this process. Following on from this, a discussion of the types of resources that may be required by a new venture and the constraint that a new ventures resource bundle can have on it are presented. The next section outlines the activities that a new venture may undertake and the types of resources developed, whether internal or external are discussed. Furthermore aspects of opportunity recognition and development and the importance of activities aimed at developing a sense of legitimacy are discussed. The final section then looks at implications for IMP researchers in exploring this process.

Where Do New Ventures Originate, Grow and Develop? The Role of Context

To begin it is necessary to consider the context in which the origin, development and growth of a new venture occurs. Two key considerations are explored here- the embeddedness of new ventures in particular contexts and the impact of actors in particular contexts on the acquisition and use of resources.

During the process of the development of a new venture sets of activities to develop resources are undertaken. The new venture development process can consist of a near infinite variety of activities to acquire and develop resources (Keating 2008) but the key point is that this

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process involves the accessing and development of a resource bundle to exploit a perceived opportunity and is built to fit into or change existing resource structures. This process of resource bundle construction is embedded in a context and for a new venture to develop and grow it is necessary that a new venture firstly understands the conditions of the contexts in which it is trying to emerge and develop in. The conditions of a nascent firm's context, include the other organizations in that environment, industry structure and norms, and resources available, and these have a large impact on the outcomes of a new venture's activities (Stinchcombe, 1965, Schoonhoven, Eisenhardt, & Lyman, 1990) in the sense of what types and amounts of resources are available and whether ventures are able to access those resources. Why is this so?

The reasons that these conditions can impact a new venture include, for example that there may not be the necessary financial resources required in a venture's context that a firm needs access to so they can exploit a perceived opportunity, or as another example the density of a new firms environment with numerous other firms competing for the same resources at the time of founding may lead to resource scarcity and firm mortality (Carroll & Hannan, 1989). So when considering the emergence and growth of a new venture it is necessary to take account of the conditions at the birth of that firm including the industry structure, the resources available and the actors in that context.

What also needs to be considered here is that it is not necessarily one context in which a new venture exists but a number of contexts. These are not homogenous, but may operate with different logics and practices and that to survive the venture must deal with and survive in a number of settings of which there may be great variation between contexts and they may struggle to thrive in one particular context because of differences between the context from which they are originate (see for example Ingemansson & Waluszewki, 2009). The challenge for new ventures in their development is that they may deal with a variety of actors who may have different sets of activities and resource requirements and structures that a new venture must understand and interact with. In a sense, how can a new venture create interfaces with other actors by accessing and developing a resource bundle that fits into existing resource structures in a number of different contexts?

In considering the above, it is necessary to understand that this process has a temporal aspect and there may be differences in accent upon resource accumulation and development across the development of a nascent firm. To understand and categorise the temporal and accumulative element of this process it can be divided into a variety of stages or phases of development in which the contexts and actors involved may change. A number of models, some generic such as Churchill & Lewis, (1983); Hanks, Watson, Jansen, & Chandler, (1993); Carter, Gartner & Reynolds, (1996);, and others specific dealing with individual or a limited number of cases such as Lichtenstein & Brush, (2001), Vohora, Wright & Lockett (2004), and Keating & McLoughlin (2009), note that during the stages of development of a venture certain types of resources and activities are more central than others and that in this process the actors/organizations targeted or interacted with may change. To transition between stages either resource salience or certain types of outcomes are specified to signal change of stage or phase of development. This could include for example business plan construction (Vohora, Wright & Lockett (2004), seed venture financing (Keating & McLoughlin, 2009), or commercial relationship development (Lichtenstein & Brush, 2001).

Why this is of interest is that the types of activities and salience of particular resources at particular stages will have an impact on the actors (both types and amounts) that the venture

will target or interact with and also have an impact on the contexts that they are involved in thus potentially stretching and challenging the new venture. For example, in commercializing a hypothetical product that is close to market such a venture may need to deal with both commercial and financial actors as opposed to an earlier stage of development where such a venture in trying to clarify or develop a perceived opportunity may only deal with actors such as government agencies or financial actors who may help the venture develop at this stage. In brief, in considering the context(s) in which a venture may be involved the stage or phase of development of such a firm will have an impact on the activities, resources targeted and developed and actors with varying logics and practices that a venture has to understand and cope with.

Finally in dealing with context, it is necessary now to consider the specific element of whom the firm is trying to acquire resources from or develop their resources through. What needs to be considered here is that new ventures need to understand relevant other actors present and future activities in the contexts in which they are involved, their aims and requirements and how they judge supplying or working with these types of firms. The reason why this is necessary is because in carrying out activities, whether simply the act of perceiving an opportunity or undertaking sets of activities to exploit a perceived opportunity, is that these must have value to other actors or sets of actors whom the venture wishes to receive resources from or develop through. For an opportunity to have value it must serve some function for another actor or firm external to the venture. The future perceived functions a new venture's planned or developing product or service will serve and its subsequent value will be dependent on the external actors perception of the utility of the product or service being created. So the productive opportunities of a new venture and its resource bundle (Penrose, 1959) is dependent on whether they fit into or are perceived to fit into the present or future activities, aims and requirements of an external firm or actor.

A central tenet of new venture literature is that most firms start with a limited or non-existent resource base, although this will depend on initial organizational endowments (Shane & Stuart, 2002), as such they must raise resources from external sources (Katila & Shane, 2005). And depending on the stage of development and the context in which new ventures are trying to acquire resources from to develop and fit into existing resource structures they must convince either a supplier or a user that the venture can add additional value to their activities. Suppliers or users in deciding to work with a new venture will use certain criteria to judge the viability and value of a new venture. These may be heterogeneous and specific to their own resource development activities but in a general sense maybe institutionalized whether within a firm or across a set of firms in the contexts in which a new venture is situated. What is meant by institutions is that they are forms of conventions that actors or firms use to "...try to make sense of other people's experiences, and other people's ways of behaving, in order to improve their own abilities to cope with uncertainty and complexity" (Loasby, 2001a, pp. 13). As such institutions help by allowing people draw on the knowledge and cognitive skills of others who have specialized in other ways of organizing their knowledge (Loasby, 2000, pp. 719-720). Thus to understand the viability and value of a new venture, particularly because of the great uncertainty and risk attached to such ventures, certain types of conventions may be used to judge a new venture.

The institutions in use within a particular context will depend on whom the new venture is attempting to acquire resources from or work with and the stage of development of the venture. Many types of institutional rules, whether formal (in the shape of laws) or informal (in the shape of norms, codes and conventions) (North, 1990) can exist and a key requirement

for a new venture is to know what types of institutions are in effect and to be able meet those institutional requirements. These institutions will have a great impact on shaping a new venture's activities and determine whether a new venture will access certain resources and how much they will have access to in effect partly determining the resource bundle that will be developed by the venture.

For example, in exploring entrepreneurial literature much attention has been paid to sets of generalized venture capital decision criteria used to assess new ventures (Hall & Hofer, 1993; Shepherd, 1999; Shepherd, Ettenson, & Crouch, 2000; Zacharakis & Meyer, 2000) and a recent study by Keating & McLoughlin (2009) has shown the impact of these criteria on the development of a new ventures resource bundle and the activities undertaken by the nascent firm to meet these sets of criteria and in particular the impact these criteria have on the focal firms resource bundle prior to investment. Furthermore, they also showed how the sets of activities and resources targeted or developed by a particular nascent firm changed once the venture progressed over time and other sets of institutionalized decision criteria, nested in the commercial user context, were required to be met.

As such the resources and capabilities required by a new venture and the activities undertaken by this firm will be in part, once these institutions are uncovered and understood, directed towards meeting these institutional criteria. However, the key point is that resource providers will use certain types of institutionalised criteria to assess whether to provide resources or work with a new venture and that for a new venture to begin or further the process of exploiting a perceived opportunity a new venture must understand what the activities, aims and requirements of resource provider are and how they judge on supplying or working with a new venture.

In sum, to understand the origin development and growth or failure of a new venture it is necessary to firstly consider the context(s) in which this process occurs. In exploring this aspect what needs to be examined includes the conditions of a nascent firms context at particular points in time, the stage of development of the venture, and the actor institutions impacting on the types of activities undertaken and the amount and types of resources targeted or developed. It is necessary now to turn to explore the types of resources that might actually make up a ventures resource bundle that is accumulated and developed. This shall now follow.

What do New Venture's Need to Develop and Grow? The Centrality of Resources

In considering the development of a new venture over time it is necessary to turn here and explore what it is that is developed in this process. In discussing the context it was outlined that resource are accessed from and developed through interaction with other actors. In exploring the potential resource bundle it is necessary to realise these resources are difficult to specify and taking an IMP perspective, resources only really gain value in use and interaction (Hakansson & Snehota, 1995), similarly in a variety of contexts what can be considered resources may vary. However, to understand the origin development and growth of a venture some form of categorization of resources is required.

Typologies of resources have ranged from general categories such as human, financial, physical, to more specifically organizational typologies including skills and know how,

technological, and reputational resources (Brush, Greene, Hart & Edelman, 1997, also see Lichtenstein & Brush, 2001). Heirman, Clarysse & Van Den Haute (2003), for instance, their study only considered physical (including technological), financial and human resources, while Brush, Greene & Hart (2001) considered financial, physical, human, technological, organizational, and social resources the resource base construction by entrepreneurs. In a similar vein, Helfat & Liebermann (2002), in considering the types of tangible and intangible resources that impact on the survival of a new venture at the point of market entry, in this they outline a range of core and complementary resources and capabilities that may impact a firm's development. In considering all of the above what emerges is that a number of generic resource types emerge that come in the form of human, social, physical, financial, and technological. These are the types that will be briefly considered here.

Although each of these resources have been separated out, it is worth noting that they work in combination so for example technological resources are developed through interaction with other firms, through the personnel within a firm working on a particular technological resource, through the use of equipment and through financial investments made to purchase for example raw materials and so forth. Furthermore, a new venture's developing resource bundle is only a tiny fraction of an existing resources structure. This is built with the hope of interfacing and integrating into this structure.

In exploring the types of resources required we will take human resources first. These encompass the knowledge and skills of individuals within a firm and encompass the know-how of a individuals involved in a new venture, which could be across a range of areas. This particular resource affects a multitude of factors including the opportunity perceived, the types of resources perceived to be required to exploit an opportunity, activities a firm carries out to develop a resource base as well as organising to exploit a perceived opportunity. With regard to social resources, these affect a new venture because it is through interaction with others that they acquire other resources that will allow a new venture to develop and grow. A new venture will draw on social connections to others that it has or accumulates through time and part of the development of a new venture is to use these connections for a variety of purposes. Uses of these social resources can include information and advice (Aldrich, 1999; Ozgen & Baron, 2007), brokering or bridging (Hite, 2003, 2005), direct access to resources and capabilities, and providing a sense of legitimacy through endorsement (Stuart, Hoang, & Hybels, 1999). In tying these social resources to the human resources of the firm another form of knowledge is required by a new venture in the process of development and growth, which is knowing whom to use, when to use and for what purpose (Loasby, 1998b). As most entrepreneurs start with very thin resource bundles and rely on others for resources or certain types of capabilities that they cannot do for themselves directly, this form of knowledge of whom to use, when and for what purpose is also a necessary facet of the resource bundle of a new venture.

Another type of resource that will be required is physical resources. These can include offices, equipment, manufacturing plants, and raw materials, are also required. Although there is some dissention on this particular point in entrepreneurial literature (see Shane & Venkataraman, 2000), it is necessary to include this particular type of resource for new venture development because a new venture will need some physical resources whether it be merely a phone, computer or fax. The next types of resources are technological resources, which are also required. These are required because a new venture will use some form of technology to develop the firm, whether it is through electronic trading, through the development of a certain manufacturing process, or the discovery of some form of new drug. The final types of

resource are financial resources which are required so that the other types of resources can be acquired and developed (Brush, Greene, & Hart, 2001). For example financial resources may allow a firm to invest in particular types of physical resources such as equipment, hiring of personnel with the knowledge and skills to operate the equipment which all might be aimed at developing a particular technological resource that is tied to a new venture. The type and amount of each of these particular resources will depend on what the venture is trying to achieve.

Before considering an activity dimension to the new venture development process it is worth noting that what a firm can do or would like to do in exploiting an imagined opportunity will be constrained by the resource and capability bundle available to a venture at any particular point in time (Penrose, 1959/1995, Loasby, 1998). So although a venture may have certain plans or intentions to exploit a perceived opportunity (Bird, 1992) whether they can actualise their imagined plans will be reliant on the resource bundle that they have access to. Similarly, new ventures need varying amounts of these particular kinds of resources to develop and will be affected by suppliers or users in the contexts that a venture finds itself located in. Furthermore, as previously mentions that at particular times the acquisition or development of particular resources will be perceived as more salient than others depending on the stage of development of the venture (Lichtenstein & Brush, 2001, Vohora, Wright & Lockett, 2004, Keating & McLoughlin, 2009).

In exploring the process of new venture growth and development it is necessary to consider the types of resources required by the venture to develop and grow, what resources are perceived as important and how the resource bundle available to a venture affects the development of a firm. However, although it has been established that a new venture requires certain types of resources and capabilities the next question that needs to be considered is how do new ventures acquire and develop a resource base? As such it is necessary at this point to turn and explore activities undertaken by a new venture.

How do New Ventures Develop and Grow? Activities and Outcomes

Having outlined the context component and the resources that a new venture may require in attempting to develop it is now necessary to turn the penultimate section. This focuses on the activities dimension of new venture development, which surrounds the development of a resource bundle and the outcomes from these activities that lead to changes in these bundles. To begin it is necessary to briefly consider the origin of a new venture.

Origin of a New Venture- The Entrepreneurial Imagination:

The starting point for activities is with one aspect of the human resources of a new venture, which is imagination and the perception of an opportunity. To begin this discussion on the entrepreneurial imagination it is necessary to consider issues of connectivity and knowledge. Loasby (2001b) presents knowledge as a structure that comes "...in the form of categories into which phenomena or concepts may be grouped, or in the form of relationships between such categories; and structure implies a non-integral space. It is an imperfectly connected system of imperfect connections, and any of these connections may change over time... The world system of knowledge is far from complete, and the knowledge possessed by- or even accessible to- any individual is a very small proportion of the world system" (Loasby, 2001b, pp. 403). Knowledge consists of categories perceived and agreed upon but which are incomplete and also subject to change. Furthermore what represents knowledge is open to

interpretation about what certain categories contain and are likely to be understood differently by people with different backgrounds (Loasby, 2001b, pp. 405). Therefore, people can and do understand the representation of what knowledge is differently. Most importantly, knowledge is about creating connections between varying elements.

In considering this aspect of knowledge and connections it is necessary here to turn and consider the idea of connectivity and the entrepreneurial imagination. How change occurs in knowledge is through individuals imagining different connections that can be made between things and this can happen because different events (such as the direct perception of an anomalous chemical reaction) can alter our state of knowledge, which leads to variation within knowledge. Such variations can lead to, for example, individuals perceiving potential opportunities.

In trying to understand what imagination is it can be viewed as a mental process where new connections lead to new representations (Loasby, 2001a). So when thinking about the origin of a new venture it is necessary to consider this element of imagination. For entrepreneurs that consider creating a new venture they must imagine the product or service that they will develop, the market that needs it and what it requires, the resources needed, and the activities they need to carry out to exploit any perceived opportunity. This also into the previous discussion on context and what is required by new ventures in the contexts which they attempt to operate in.

In entrepreneurial research on opportunity recognition, with striking similarity to Loasby as well as Penrose's managerial imagination, Baron (2006) proposed that the recognition of an opportunity depends in part on the cognitive structures of individuals in their ability to see patterns that connect diverse events. In identifying an opportunity an entrepreneur must be able to gather, interpret and apply information about specific industries, government policies, markets, technologies and a range of other factors (Ozgen & Baron, 2007, pp. 176). So the creation of connections between diverse information, events and so forth drives the discovery of opportunities.

However, there is variation, as mentioned above in the knowledge of individuals and ventures. A question now is what affects the connections imagined by an entrepreneur?

The role of knowledge and experience:

In discussing the different types of knowledge, Loasby, like those within the loosely based knowledge based view of the firm, plays upon the aspect of knowledge that and knowledge how (for example see Loasby, 1999, 1998b) or in entrepreneurial research declarative and procedural knowledge (Aldrich, 1999). Emphasis shall be put upon the aspect of know how, encapsulated as capabilities, but it is worth noting that that the often denigrated knowledge that can be a key requirement within certain types of organizations, for example start-ups based on certain technologies, in particular in the Life Sciences (see Pisano 2006), whereby a deep theoretical knowledge is of absolute necessity prior to trying to exploit a perceived opportunity in this area.

Turning to the element of knowing how this is seen to be a crucial element that a firm needs to have, if for example they are to commercialize an opportunity, and fits into the productive opportunities that a new venture perceives. For example, firms may know that crude oil can be used for a variety of purposes but knowing how to do this and being able to perform this is different to knowing that it can be done (Loasby, 1999). Loasby (1998b) states that:

“‘Knowing how’... is the ability to perform the appropriate action to achieve a desired result. It includes skill both in performance and in recognising when and where this skill should be applied” (pp.164). What is interesting here is that incorporated into this skills or abilities that an individual or firm has is also the ability to know when and where certain skills or abilities are needed. This in a sense also has an effect on the activities of the firm because when certain performance skills are needed will be affected by the knowledge and prior experience of those in a new venture. This will also affect the perceived salience of particular resources and activities during particular stages of development of a new venture (Lichtenstein & Brush, 2001).

The dimension of the capabilities of knowledge how, in such a form, similar to the interest of the knowledge based/dynamic capabilities perspective of the firm, is seen as often tacit and gained through a process of trial and error. As Loasby (1998) states “Capabilities are the least definable kinds of productive resources. They are in a large measure a by-product of past activities, but what matters at any point of time is the range of future activities which they make possible (Loasby, 1998, pp. 144). Capabilities exist in many different forms, they could for example be in the form of how to find and produce particular goods or services, they could be in the form of interpreting information and seeing opportunities, or they could be in the form of organisational skills. In brief then capabilities are the ability or knowledge of how to do something and the types of capabilities required take on various forms. They are the product of experience and are developed through time. Thus in considering the connections made by an entrepreneur and the origin of an idea, what will affect the shape and content of an imagined opportunity, including for example the perceived route to exploitation, will be prior knowledge and experience.

Once again these ideas have resonance with research that has emerged from entrepreneurial studies. For example two key elements that affect the discovery of opportunities include the information available to the entrepreneur or firm to identify the opportunity, and also the ability to place a value on the perceived opportunity (Shane & Venkataraman, 2000). So there is a link between both prior knowledge and cognition and the activity of discovering an opportunity and also the ability to see the value of that potential opportunity. These two points are particularly of note because those involved within a new venture need to understand potential opportunities but also they must be able to imagine the value and application of the opportunity that they see in a commercial setting. A point made earlier about variations in knowledge as described by Loasby (2001b) was that variation occurs because of the effect that the incomplete nature of knowledge and variation in representations of knowledge. Shane (2000), in his case studies of eight high technology start-ups trying to commercialise the 3DP process found that individuals prior knowledge, affected by a variety of factors such as education and specialization in a particular area, knowledge of markets, how to serve a market, and customer problems in a market, has a significant effect on an individuals discovery of ways to exploit a new technology. As such an entrepreneur’s prior knowledge and experience can affect the approaches to commercialize a particular opportunity.

Building on this idea Baron & Ensley (2006) in their comparison between novice and repeat entrepreneurs found that in the cognitive frameworks of experienced entrepreneurs found that the identification of opportunities were clearer, richer in content, and more focused on the factors or conditions, such as risks involved or generating positive cash flow, that were important to the creation and running of a new business. On the other hand novice entrepreneurs were more focused on the ‘newness’ or ‘novelty’ and the supposed potential of their opportunity over existing products or services and used intuition as their guide. As such

repeat entrepreneurs thought in a more sophisticated and pragmatic way than novice entrepreneurs and were more aware and concerned of major issues of interest to those involved or potentially involved in a new firm (Baron & Ensley, 2006). So as such experience can play a major part in the discovery and plans to create and run a business.

In sum, the entrepreneurial imagination is the origin of a new venture where novel connections lead to new representations but is also part of and developed further during the latter stages of development process. These representations of a perceived opportunity are informed by the prior knowledge and experience of an individual. In attempting to understand the origin of a new venture it is therefore necessary to consider this aspect of the entrepreneurial imagination and the effect that prior knowledge and experience has on the perception of an opportunity. Also these perceived opportunities may be shaped through interaction with others who may provide advice on their potential.

Although an opportunity may be perceived for an entrepreneur or new venture to exploit a perceived opportunity they must accumulate and use a variety of different types of resources and capabilities and undertake a variety of activities that will allow a venture survive and develop. Furthermore, it is necessary to note that opportunities arise within a context, as outlined above, and that for opportunities to be realized it is necessary that potential suppliers or users believe that a perceived solution fits into their conceptions of what may provide a solution to a latent or explicit problem that they perceive.

Activities beyond opportunity recognition and initial development:

To develop and grow a resource bundle to exploit a perceived opportunity a new venture must undertake a potentially large variety of activities to acquire, develop and use their resource and capability bundle. A question here is what type of activities does a new venture carry out? Such a question is difficult to answer as, depending on the firm and its context, there is an infinite range of activities a new venture could be carrying out. These activities will be directed towards the development of internal and external assets (Johanson & Mattsson, 1985). However these types of activities are complicated by the fact that it will depend in part on the stage of development of the venture, the actors within a venture and their knowledge and experience as well as their goals and the other constituent elements that make up the resource bundle of a venture, and the expectations of other actors within given contexts. For example at an early stage of development a new venture may undertake activities to develop their perceived opportunity, acquiring and developing initial resources such as produce a prototype product and communicate to potential resource providers the value of what they propose to do. In the later stages of development they may attempt to fully exploit their perceived opportunity and enter into commercial end-user relationships. But these types of activities and stages of development will depend on the type of venture that is trying to exploit a perceived opportunity. Key though is that they must understand and fit in with the activities being undertaken by those whom they trying acquire resources from.

However, underlying much of the early activities of a new venture is the identification and acquisition of resources from resource providers external to the firm (Katz & Gartner, 1988, Lichtenstein & Brush, 2001). As such many of the activities of the firm will be centred on creating knowledge of the firm's existence and positioning it within a particular category of firms so as to acquire resources from actors external to the venture. However, new ventures suffer from the liability of newness (Stinchcombe, 1965) with great uncertainty and risk attached to such firms and therefore a number of activities will be directed towards creating a sense of legitimacy around the firm to gain access to required resources and capabilities.

Achieving legitimacy in the eyes of others can be gained from certain types of activities and from the acquisition and development of certain types of resources. Legitimacy for this paper, takes Zimmerman & Zeitz (2002) view that it is a “social judgement of acceptance, appropriateness, and/or desirability” (pp. 416). Legitimizing activities will depend on the type of venture and the resource providers being targeted and the stage of development of the venture but can include incorporation of firm (Delmar & Shane, 2004), writing of a business plan (Delmar & Shane, 2004, Honig & Karlsson, 2004), creating an imitative organizational structure (Aldrich & Fiol, 1994), investment from venture capitalists and development of commercial revenues. Examples of resources that can also signify legitimacy can include social resources, in particular inter-organizational endorsements (Stuart, Hoang & Hybels, 1999), technological resources in particular IP (Baum & Silverman, 2004), human resources, in particular the reputation and prior experience of the management of a venture (Shane & Cable, 2002), and financial resources.

So although there is a multitude of activities, that can be directed toward developing internal or external assets which are affected by the perceived stage of development of the firm, a new venture will undertake a number of activities and attempt to develop certain types of resources to create a sense of legitimacy around a new venture. The next question is what is outcome from new venture activities?

In attempting to understand the development and growth of a new venture it is of necessity to have a dynamic rather than static account of what occurs and therefore some aspect of change needs to be incorporated into any account. As such changes in a new venture can be seen through changes that occur to the resource and capability bundle of a new venture from the activities that are undertaken by a venture. The outcome of the varying activities of a new venture leads to changes in the resource bundle. For example, in attempting to develop a perceived opportunity the outcome from the activities such as partaking in industry conferences or talking to other entrepreneurs might be a change to how an opportunity is perceived and presented, which is a change to the human resources/capabilities of the firm and comes in the form of learning in this instance. The outcomes can be positive as well as negative, intentional or accidental, and have varying magnitudes of impact upon the development and growth of the venture. For example, if activities are centred on acquiring financial resources and the new venture does not gain the required capital this will impact the other resource and capabilities of the new venture. The new venture, in this case may have to enforce redundancies or even end up with the death or sale of the new venture. Another example might be that the firm require some form of product which involves the development of some form of technological resource and this may lead to the accidental discovery of some additional use of this resource and then lead to a new type of product or an extended product line. Although there are many permutations of the types of activities and the outcomes of these activities the key point is that from the activities carried out there will be some impact upon a new venture of varying magnitude upon the resource base.

In sum, to grow and develop a new venture will carry out activities to access and develop certain resources. The direction of these activities could be toward the development of internal or external assets. Influencing the types of activities carried out will the resource bundle available to a venture and the perceived salience of particular types of resources during the stages of development of a firm. Because new ventures suffer from the liability of newness and struggle to create a position for themselves a number of activities will be directed toward creating a sense of legitimacy around such firms. The outcomes from

activities are changes to the resource and capability bundle of the venture. These outcomes have differing levels of impact, need not necessarily be positive and can be intentional or accidental. Therefore when investigating the activities of a new venture it is necessary to consider some or all of the above factors when trying to account for the growth and development of a new venture.

Discussion and Conclusions:

This paper has set out to account for the creation and development of new ventures synthesising key concepts within the IMP tradition, with concepts from Penrose and Loasby and ideas from entrepreneurship that would provide useful perspectives on new venture development. The reasoning behind this approach was to try and shed light on an area that has had little explicit attention within the IMP. The aim has been to outline the key facets that need to be considered when using an ARA frame (see Hakansson & Snehota, 1995, Axelsson, 2010) and consisted of taking account of the impact contexts have on a new venture, resources required, activities undertaken in this process, and the outcomes that lead to resource bundle changes.

The starting point was that the development of a new venture is embedded in a number of contexts. The conditions of the contexts will affect the amount of resources available for such firms. In particular other actors within a new ventures context from whom the firm wishes to acquire resources from or develop its resources and capabilities through will affect the activities of a new venture and the resources it acquires and develops. In judging new ventures these external actors' will use certain institutionalized criteria which will be applied to decide upon supplying resources to or working with these firms. For these ventures to further develop and grow and fit into existing resource structures and activity chains they must meet these requirements. Whom the venture interacts with and perceives as salient at particular points in time will be influenced by the stage of development of the new venture. In these contexts, new ventures try to access and develop a variety of general types of resources including physical, social, financial, technological, and human. These resources are developed and utilized in interaction with each other and also with other resource bundles external to the venture. Similarly, the acquisition of certain types and amounts of resources and capabilities will be influenced by the knowledge and experience of individuals involved in a new venture and the perceived stage of development. The rate of development and growth will be constrained by the resource and capability bundle available to the venture at any one particular point in time.

To access and develop these bundles a venture will undertake a vast number of activities but the starting point will be the perception of some form of opportunity. In looking at the origin of a new venture we began by considering the entrepreneurial imagination and the effect that prior knowledge and experience has on the perception of an opportunity. The activities undertaken will be informed by what is available to a venture, the stage of development of the firm, and will be directed towards the development of internal or external assets. Because new ventures suffer from a liability of newness a number of their activities will be directed towards developing a perception of legitimacy around the firm. The outcomes from these activities will be changes to the resource and capability bundle of the venture which will have varying levels of impact, direction, and maybe intentional or unintentional. As such, by exploring each of the above elements will shed light on the origin, growth and development of a new venture. The question now is what is of interest for researchers from this paper?

The authors' feel that there are four specific contributions from this paper that are of value to an IMP researcher interested in this area. Firstly, the idea of the stages/phases of development is of value because it can help researchers untangle the types of resources required, activities undertaken and also places a temporal dimension on their empirical work. Furthermore, it is relatively empirically underdeveloped with regards to resource bundle development and requires a deepening of concepts in particular at the early stages of development. Secondly, when considering context a number of ideas are of value. This includes ideas about types of institutions or decision criteria that are used by resource holders and trying to identify these and the impact that these have on resource bundle development and the types of activities undertaken.

Thirdly, and tied to the above point, in exploring activities undertaken it is worth considering types of legitimating activities directed towards the resource and capability bundle of a new venture and the symbolic value derived from the resources that these legitimating activities may be directed towards. So although activities may be directed toward the development of internal or external assets many of these are directed towards resources or capabilities that are to be perceived as validating or legitimating the venture in the eyes of actors whom the venture wish to gain resources from or develop their resource and capability bundle through. The outcomes from these activities will be the development of resources from which part of or the total value will be derived from the symbolic value that particular resources have. One of the main sources of value of resources acquired may be the legitimacy that they are perceived to provide. So part of studying new venture development and growth is trying to account for the symbolic value of certain types of resources that a venture attempts to acquire or develop. What this means is that for researchers from the IMP a useful guide when considering activities is to consider the context in general but specifically types of legitimating activities undertaken in a particular context and what these particular types of activities are directed towards. Tied to this when researching new ventures it is important to consider which resources are perceived to have symbolic or legitimating value, what that meaning is and why they are believed to have symbolic value, and for what purpose the symbolic meaning is being used.

Finally, a further contribution of this paper is the concept of the entrepreneurial imagination which is derived from ideas from Loasby (2001a, 2001b) and Penrose (1959) and supplemented with ideas from entrepreneurial research. It also useful in that it provides an initial starting point for researchers coming from within the IMP tradition to investigate the process of new venture development, in particular those looking at the resources of a new venture, because it factors in aspects of knowledge and experience and helps guide those looking at the very early stages of new venture development and the impact that this may have on the type of opportunity perceived and how it is initially approached. .

As can be seen from the paper presented above that in considering core concepts from the IMP it immediately became apparent that IMP perspectives on connectedness, exchange, interaction, and so forth have obvious application to the process of the creation and growth and development of a new venture. However, what has been missing is explicit exposition from researchers on the new venture development process, which has occurred for a number of reasons but in a nutshell revolve around the types of firms that are involved and the empirical tradition of the IMP. However in stating the above, there is a burgeoning interest in this field within the IMP exemplified by the recent IMP Journal seminar in Lugano focusing in part on new business formation. As such this paper has attempted to explore theoretically

the new venture development process and outline concepts and areas that would be of interest and value in examining.

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