

Same kind of different: A Resource Dependence and External Enabler Perspectives on Venture Creation Process

Principal topic

Research on new venture creation currently lacks a strong conceptual platform for theorising about how external disequilibrating forces influence individual venture creation processes. In response to this, Davidsson et al. (2020) built upon Davidsson's (2015) conceptualisation of External Enablers (EE) and provided a framework that captures communality and variance in multiple ways within and across various types of environmental change for the benefit of venture-level analysis.

Understanding the environment and its enabling features can illuminate our understanding of how new economic activities emerge, how ventures survive uncertainties and how they use certain environments to scale their operations and strengthen their mission. Organisational environments, following EE, have intrinsic properties, however, their interpretation varies following the level of individual ventures because of agents' alertness, knowledge, luck and effort in relation to them. These features (favourability for individual case) following EE, are (1) selective: in the sense, they depend (contingent) on space, time, and application area, (2) subjective: as they depend on the characteristics of the actor, (3) interdependent with other external conditions, and (4) they are uncertain ex-ante.

The nature and form of EE are conceptualised through their characteristics. The first characteristic is the scope which includes: (1) sectoral (concerns the range of industries an external enabler may affect), (2) spatial (the geographic area the enabler affects), (3) temporal (the duration of enablement), and (4) socio-demographic scope (range of individuals whose circumstances are potentially affected by the enabler). The second dimension is the onset which includes two dimensions: (1) its predictability (the extent to which an enabler's presence and influence can be anticipated, and (2) its suddenness.

EEs, following the above nature, can facilitate the initiation, ongoing development and success of new business ventures through different mechanisms. These mechanisms are Compression, Conservation, (Resource) Expansion, (Resource) Substitution, Combination, Generation, Uncertainty reduction, Legitimation, (Demand) Expansion, (Demand) Substitution, and Enclosing. These 11 mechanisms have different influences at different stages of the venture creation process.

EE conceptualised the environmental circumstances and their influence on venture creation, yet, it is unclear how entrepreneurs identify and realise possible mechanisms of external enablers in a variety of ways throughout the venture creation process, more concretely: *What enablers can offer mechanism Y, which venture Z needs? And how it can be pursued by the venture?*

To answer this question, we use Resource Dependence Theory (RDT) most distinctive insight and underlying perspective and its nuances concerning the external environment. As such, RDT offers a set of analytic tools to understand the environmental complexity of contemporary and new forms of organisation. Organisational environments are not given but rather created by the level of attention and interpretation. Organisations thus construct their realities which are affected by filtering the available information or the ignorance of what might affect the organisation. As such, in order to know the environment, RDT defines three levels of the environment. *Level one environment* is the complete system of interconnected actors—both individuals and organisations. This level might affect organisational outcomes. *Level two environment* is the focal organisation's first-tier with which it directly transacts. This level also can affect the outcome of the focal organisation. For the focal organisation to change behaviour, it must register and represent the environment. This explains why level one and two are not directly affecting the focal organisation's actions but can, nevertheless,

affects the outcomes. Registration happens at *Level three environment* which is the enacted environment and the focus of the theory. On level three the decision making of the focal organisation is greatly influenced by the organisation's level of observation, attention, perception, and representation of the external circumstances (Pfeffer & Salancik, 2003). RDT's conceptualisation of level three environment relies heavily on the theory of enactment first discussed by Weick's (1969) argument that managers selectively interpret the external environment, where the organisation operates in, scan the relevant external environment for opportunities and threats, and attempt to either avoid or break the dependence on them (Scott and Davis 2015, Wry et al., 2013). In other words, managers scavenge the environment for the organisational needs for survival within the limit of their perception of inter-organisational dependence, and their perception of environmental uncertainty (Fink et al. 2006). This conceptualisation is important as it differentiates between uncertainties that are firm-specific vs field-level. The lower level of analysis of RDT permits a faster understanding of the environment and allows bottom-up analyses of that environment (Hillman et al., 2009; Oliver, 1991b; Pfeffer, 1982). Consequently, similar to EE, managers can navigate to an environment that is more stable, legitimate, and accessible whenever contingencies arise and when favourable, they will try to exploit them and some of them attain success in doing so.

Besides the focus of RDT on the external environment as a crucial predictor for the organisational activities and outcome, RDT conceptualises managers, besides their symbolic role, as the compass to guide the organisation in the process of manipulating the environment. The rationale is that environmental circumstances are not predestined and irreversible but rather removable if it is possible to organise the social support and resources sufficient to remove them. As such, managers are those who enact the environment and consequently seek to create or search for a more favourable environment. This external orientation (of managers) is crucial to guide the understanding of the environment and to act accordingly—hopefully in the right direction. RDT provides distinctive insights on understanding the external environment and, consequently, suggests a number of strategic responses to absorb, avoid, negotiate or break altogether the interdependence relationship. The insights of external environment enactment, despite being one of the major contributions of the theory, are the most neglected (Wry et al., 2013). The goal of this paper is to exhume and resurrect these insights and extend and integrate them with external enablers' perspective (EE) of Davidsson. As such, EE's "concepts and ideas may be possible to integrate productively for revitalization of existing frameworks [RDT] addressing how incumbent organizations deal with environmental change" (Davidsson et al, 2020).

Both RDT and EE follow an open system theory that follows a bottom-up approach for analysing the complexity of the environment. In this, both take a certain behaviour as the analytic starting point (Wry, Cobb, & Aldrich, 2013) which justifies certain behaviour. This behaviour, in turn, can be changed when new contingencies arise (Pfeffer, 1982; Davidsson, 2015). This continuous observation and attention to the environmental characteristics and opportunities is key to the success of the organisation. As such, the organisational field is divided into sub-logics that speak to the focal organisation which is the level of analysis in both perspectives, the organisation can then make the needed arrangement over a short time frame that suits the temporality of environmental circumstances. As such, both perspectives are epistemologically aligned.

Against the above backdrop, both perspectives have roots in the strategic issues in management research. EE does not assume the existence of an organisation, whereas RDT deals, primarily, from the perspective of an existing organisation. Combining the two perspectives gives us a wider understanding of the influence of the external environment on both the emergence of new economic activity and the success (or failure) of an existing one. More concretely, this paper allows us to understand the more/less enabling effects of environmental circumstances and their influence on the boundaries of the venture creation process at different stages. This conceptualisation matters and is

important as it provides a tool that can help us to understand how different actors define and frame their interests as they relate to different EE and how they might consider the more direct causal pathways which link these interests to organisational actions at different stages of the venture creation.

We use social enterprises as our context for theorisation. The jarring juxtaposition of social and financial goals of social enterprises makes it an extreme case of hybridity. This hybrid nature characterised by the competing developmental and commercial sustainability goals (Pache & Santos, 2013), their alien corporate-governance (Ebrahim et al., 2014), different legal forms (Battilana & Lee, 2014), and complex reporting duties (Arena et al., 2015) confuses traditional investors and lenders (Lehner & Nicolls, 2014). This complexity matters because it fundamentally alters the relationship between SEs and resource acquisition from traditional financiers. As a result, lack of early-stage capital remains a top challenge to the SEs' existence and survival (Dohert & Pulido, 2016). This hybridity, scarcity, and uncertainty of the social enterprise environments make studying them an adequate context for this study. As such, we will focus on the enabling features of the novel sources of funds with different specificity and different degrees of rationality (Briel, Davidsson and Recker, 2018) on shaping the entrepreneurial opportunities, actions, and outcomes. In doing so, we combine RDT and external enablers' perspectives to understand and theorise the enabling role, if any, of these new financial instruments. In doing so, we focus on the two strategically characteristics of EE mechanisms namely, *Opacity* (how difficult they are to identify) and *Agency-intensity* (how demanding is their realisation). As such, to address the above research question, aligned with Kimjeon and Davidsson (2021), we study the interaction among EE characterised by accessing novel instruments of finance, forms of organisation, which is characterised by the hybridity of social enterprises, and social enterprises' triggering, shaping, and/or outcome-enhancing.