

Reconfiguration and new firm survival

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ABSTRACT

While scholars have well investigated the importance of reconfiguration as a means for established companies to adapt to changing competitive environments, we know little about the process of configuration and transformation by which new firms give shape to their resource base in their early, formative years when survival is most at risk. Drawing on entrepreneurship and strategy research, we explore how the reconfiguration process by which new firms change the structure and direction of their resource base influence their likelihood of survival. Using data from the Dutch General Business Register, we observe longitudinally a cohort of 19,523 private firms set up in the Netherlands in 2011 over the 8 years after entry. We apply novel event-history analysis techniques to study how reconfiguration activity and its temporality affect survival. We find that firms undertaking reconfiguration benefit from a survival premium. However, reconfiguring sooner after entry lowers the likelihood of survival compared to doing so at a later time. Our findings contribute to the entrepreneurial process literature by offering a dynamic perspective on new firm survival through resource reconfiguration, as part of the process of learning and experimentation by new firms.

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