

Initial resource assembly in new ventures: Does location matter?

Tatiana Manolova¹, Candida Brush² and Linda Edelman¹

¹ Bentley University (USA) and ² Babson College (USA)

The formation of a new venture requires crucial choices that impact the future success of the firm. An important initial decision is whether or not to start the new venture from home or from a separate location. In this paper, we examine the impact of firm-location decisions on the resource assembly process. Resource assembly is the first step taken by entrepreneurs to begin building a resource base, and it involves gaining ownership or control over resources. Our findings indicate that resource profiles significantly differ by location. In addition, away-based businesses assemble significantly higher counts of physical, financial, and organizational resources.

Recursos iniciales en las nuevas empresas: ¿influye la ubicación? La formación de una nueva empresa requiere tomar decisiones fundamentales que tendrán impacto en el futuro éxito de la empresa. Una primera decisión importante es elegir si la empresa se localizará en casa o en un espacio diferente. En este trabajo examinamos el impacto que tiene la ubicación de la empresa en el ensamblaje de los recursos. La asamblea de recursos es el primer paso dado por los empresarios para comenzar a construir una base de recursos, y consiste en obtener la propiedad o el control sobre los recursos. Nuestros resultados indican que los perfiles de los recursos difieren significativamente según la ubicación. Además, las empresas basadas en la distancia reúnen significativamente mayor número de recursos físicos, financieros y organizacionales.

Giving Greetings (www.givinggreetings.com) is a home-based charity gift card business. The company's distinctive competency is its exclusive licensing of colorful symbols that are used by special needs children who have no language (see Figure 1). Started in 2002, with \$500 of the founder's personal funds, the company currently has sales of approximately \$10,000. The owner estimates the total market to be approximately \$50,000.

As a home-based enterprise, Giving Greetings has the advantage of using pre-existing resources such as the home's phone-line and answering machine. In addition, the founder has dedicated a portion of her children's playroom as an office, and uses her garage as a raw material and finished goods warehouse. However, there are drawbacks to her businesses home location as well. For example, while staying at home allows the founder to spend time with her special needs child, she recognizes that this takes away valuable time that she could be devoting to growing her business. In addition, during the busy holiday season, the founder would like to hire part-time office help and is concerned about having a part-time worker in her home. Finally, the founder recognizes the need for a cash infusion into the business of approximately \$5000 to purchase a better printer, and is concerned that she will be unable to secure financing because her home location may seem less legitimate to an external financier.

The formation of a new venture requires crucial strategic choices about resources, products/markets and activities that

determine the ultimate success of the fledgling venture (Aldrich, 1999; Ucbasaran, Westhead, & Wright, 2001). Primary among these is the choice of location (Baum & Haveman, 1997), which implies whether or not to start the venture from home or from a separate location. A Small Business Administration Report noted that 5.6 million businesses in the U.S. were home-based (*The State of Small Business*, 1995).

Three theoretical perspectives suggest that there is a relationship between the location decision and the resource assembly and profiles in new ventures. First, resource dependence theory posits



Figure 1. Giving greetings charity gift cards (www.givinggreetings.com)

that entrepreneurs will locate where they can best secure a pool of resources, maximize opportunities or minimize threats (Bruno & Tyebjee, 1982; Pfeffer & Salancik, 1978; Sánchez, 2010a). Second, the resource-based view of the firm suggests that initial location decisions are major influences on the ability to expand or grow the new venture, or to obtain a competitive advantage given the availability and scarcity of particular resources (Barney 2002; Penrose, 1959). Third, the entrepreneurship literature suggests that new venture formation involves a series of dynamic interactions between individuals and the context within which those individuals begin their entrepreneurial endeavors (Gartner, 1988; Low & MacMillan, 1988; Sánchez, 2010b). In the entrepreneurial process, the entrepreneur is «embedded» in an environment of situational and social ties that affect the start-up process (Aldrich, 1979; Jack & Anderson, 2002.)

This paper empirically examines the impact of firm location decisions on the resource assembly process. We begin by examining the aggregate resource profiles of firms located at home with those located not-at-home; to see if there are any differences. Next, we explore which location type, home or away, lead to the accumulation of greater amounts of resources. Specifically, we suggest that while all initial strategic decisions are important, the decision about where to locate is particularly critical because it helps to mold the character of the new firm, and so impacts many of the fledging firm's future decisions.

Once a nascent entrepreneur decides to pursue an opportunity, the process of acquiring and assembling the resources for that new venture begins (Penrose, 1959; Sánchez, 2009). One source of resource endowments is the local context or environment within which the entrepreneur begins his or her new venture.

Entrepreneurs that start ventures in familiar local environments are more likely to be able to identify social and economic resources that can assist in the founding of an organization (Hansen, 1999; Jack & Anderson, 2002). On the other hand, entrepreneurs who launch ventures in unfamiliar contexts may encounter more obstacles to securing resources and contacts. Similarly, resource dependence models suggest that new firms are entering a transactional relationship with the environment, and because of this dependence, they will seek to control contingencies and achieve an uninterrupted supply of resources (Bruno & Tyebjee, 1982; Pfeffer & Salancik, 1978). This desire to be independent may encourage entrepreneurs to locate near specific supplies of resources, a decision that can lead to an emphasis on the development and expansion of certain resource types over others (Chandler & Hanks, 1994; Sánchez, 2009). It follows that: resource profiles differ by the location of new venture (Hypothesis 1).

As stated above, location affords different opportunities to assemble resources. In the case of physical resources, a home location may be constrained by zoning ordinances, transportation access or even the physical size of the home. This suggests that the accumulation of physical resources would be greater at away locations. With respect to financial resources, it might be expected that away locations would have greater legitimacy in part due to their acceptance as a separate entity, and in part because an away location signifies a tangible commitment to build a venture (Aldrich & Baker, 2001). Therefore the opportunity to gain credit from suppliers or outside financing might be greater for an away-based firm than for a home-based business. For organizational resources, an away location would have the benefit of a separate and formal facility and the legitimacy that that entails. Gaining

commitment from employees or customers requires visibility of behavior in order to motivate participation in the enterprise (Salancik, 1982). Therefore, an away location would be more attractive to potential employees. More specifically, we postulate that away-based businesses will assemble more physical, financial and organizational resources (Hypothesis 2).

Method

Participants

The data utilized for the current investigation are drawn from the 1998 phone interviews of nascent entrepreneurs, a component of the ongoing National Panel Study of Entrepreneurial Dynamics (see Reynolds, 2000, for detailed methodology and background materials). Nascent entrepreneurs were defined as individuals attempting to start a new business within the past 12 months on their own (as opposed to doing so with sponsorship from existing firms), and still in the startup phase (i.e., established infant firms were not eligible).

Following the classification scheme developed by Shaver, Carter, Gartner, and Reynolds (2001), the sample used for the present study includes fully autonomous nascent entrepreneurs who had not received a positive cash flow from their new businesses for more than three months ($n=574$)¹. Because of missing data on the location of the new venture the sample was reduced to a usable sample size of $n=512$.

Instruments, procedure and data analysis

Trained phone interviewers affiliated with the University of Wisconsin Survey Research Laboratory conducted the surveys. 1,261 individuals completed the telephone interviews, of which 446 nascent entrepreneurs from the original sample, 223 women from a National Science Foundation (NSF) sponsored over-sample, 161 from a NSF sponsored over-sample of minorities, and 431 in a comparison group. The usable sample was reduced by the requirement that the respondent gender be consistently recorded across all stages of data collection. As the data on the minority over sample were not made available at the time of performing this analysis, the only over sampling included in the present data set was the over sampling for women.

Both nominal and continuous operational measures are utilized in this study.

Location was measured by a self-reported dichotomous measure indicating whether or not the nascent venture was located in a residence or personal property or elsewhere (including a site of existing business or a special location for the start-up).

We explored three categories of resources: physical, financial, and organizational. *Physical resources* were measured by three binary variables. Nascent entrepreneurs were asked to report whether or not they had acquired raw materials, rented or leased facilities, or established a phone line for the start-up (Carter, Gartner, & Reynolds, 1996). We then summed up the counts to obtain a measure of the scale of physical resources assembled, which ranged from 0 (no physical resources) to 3 (all three).

Financial resources were measured by five dichotomous variables following Bygrave (1992), indicating whether or not nascent entrepreneurs had saved their own money for the start-up, invested their own money in the start-up, obtained credit from

suppliers, asked a financial institution for funds, or opened a bank account. We then summed up the counts to obtain a measure of the scale of financial resources assembled, which ranged from 0 (no financial resources) to 5 (all five).

Organizational resources were measured by six self-reported binary measures following Carter et al., (1996) and Dollinger (1995), indicating whether or not nascent entrepreneurs had established a start-up team, started working over 35 hours for the venture, hired employees, prepared a business plan, started promotional activities, or prepared financial statements. The counts were then summed up to obtain a measure of the scale of organizational resources assembled, ranging from 0 (no organizational resources) to 6 (all six).

Control variables. We were concerned that location did not fully explain the resource assembly process. Therefore we controlled for social capital and industry membership. Social capital was found to impact resource assembly (Cooper, 2002; Stuart, Huang, & Hybels, 1999) and the likelihood of first sale (Davidsson & Honig, 2003). Recent entrepreneurship literature also indicates significant differences in resource profiles between high and low technology firms (Edelman, Brush, & Manolova, 2001; Greene & Brown, 1997). *Social capital* was measured by a self-reported binary measure indicating whether or not there were other people helping

with the establishment of the new venture, following Aldrich (1999) and Aldrich and Whetten (1981). *Industry membership* was measured by a self-reported binary measure indicating whether or not the nascent entrepreneur considered the new venture to be a high-technology business. Descriptive statistics are provided in table 1, while table 2 presents the correlation matrix of all variables used in the analysis.

Results

Descriptive statistics

Three-quarters of the nascent entrepreneurs in our sample located their new ventures in their personal residences, while one quarter chose a location away from home (either the site of an existing business, or a specific location such as a business incubator or rented space). In terms of the assembly of physical resources, almost three-quarters of the nascent entrepreneurs had purchased raw materials for their new businesses, but less than 20% had established a dedicated telephone line. On average, fewer than two of the three physical resources we counted had been acquired at the time of the survey. With respect to financial resources, most nascent entrepreneurs had saved and invested their

Table 1
Descriptive statistics (n= 512)

Variable	Mean	S.D.	Min.	Max	n	Scale*
<i>Location</i>						
Venture located home or away	.7441	.4331	0.00	1.00	512	Nominal: 1= home (381); 0= away (131)
<i>Physical resources</i>						
Acquired raw materials	.7539	.4312	0.00	1.00	512	Nominal: 1= yes (386), 0= no (126)
Rented or leased facilities	.5371	.4991	0.00	1.00	512	Nominal: 1= yes (275), 0= no (237)
Established a phone line	.1953	.3968	0.00	1.00	512	Nominal: 1= yes (100), 0= no (412)
<i>Financial resources</i>						
Saved own money	.7084	.4549	0.00	1.00	511	Nominal: 1= yes (362), 0= no (149)
Invested own money	.8867	.3172	0.00	1.00	512	Nominal: 1= yes (454), 0= no (58)
Established credit with suppliers	.3686	.4829	0.00	1.00	472	Nominal: 1= yes (174), 0= no (298)
Asked for funds	.2250	.4180	0.00	1.00	511	Nominal: 1= yes (115), 0= no (396)
Opened a bank account	.3723	.4839	0.00	1.00	505	Nominal: 1= yes (188), 0= no (317)
<i>Organizational resources</i>						
Organized a start-up team	.5440	.4985	0.00	1.00	511	Nominal: 1= yes (278), 0= no (233)
Started working 35+ hours	.2949	.4565	0.00	1.00	512	Nominal: 1= yes (151), 0= no (361)
Hired employees for pay	.1331	.3400	0.00	1.00	511	Nominal: 1= yes (68), 0= no (443)
Developed a business plan	.5784	.4943	0.00	1.00	510	Nominal: 1= yes (295), 0= no (215)
Started promotional activities	.5840	.4934	0.00	1.00	512	Nominal: 1= yes (299), 0= no (213)
Developed financial statements	.3418	.4748	0.00	1.00	512	Nominal: 1= yes (174), 0= no (335)
<i>Scale of resource assembly</i>						
Scale of physical resources	1.4863	.9236	0.00	3.00	512	Interval: 0= none, 3= all three
Scale of financial resources	2.5797	1.1432	0.00	5.00	464	Interval: 0= none, 5= all five
Scale of organizational resources	2.4594	1.4850	0.00	6.00	505	Interval: 0= none, 6= all six
<i>Control variables</i>						
Anyone helping with the new venture	.6328	.4825	0.00	1.00	512	Nominal: 1= yes (324), 0= no (188)
Considers business hi-tech	.3279	.4699	0.00	1.00	494	Nominal: 1= yes (162), 0= no (332)

* Numbers in parentheses are counts

own money into the venture (70% had saved and 88% had invested their own money). Less than half of the nascent entrepreneurs in the sample had established credit with suppliers or opened a bank account, and less than 25% had asked financial institutions for

funds. Overall, a little over half (M= 2.58, SD= 1.14) of the five financial resources had been tapped into at the time of the study. With regard to organizational resources, over half of the nascent entrepreneurs had organized a start-up team, developed a business

Table 2
Correlation matrix (n= 512)

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1 Location	-																		
2 Raw Mat	0.164	-																	
3 Facilities	-0.113	0.326	-																
4 Phone	-0.197	0.133	0.235	-															
5 Saved	0.047	0.004	-0.020	-0.019	-														
6 Invested	0.115	0.370	0.194	0.036	0.077	-													
7 Credit	-0.091	0.213	0.240	0.299	0.000	0.062	-												
8 Asked Funds	-0.169	-0.004	0.177	0.129	-0.044	-0.092	0.285	-											
9 Bank Acc	-0.201	0.201	0.259	0.351	-0.071	0.142	0.350	0.206	-										
10 Team	-0.147	-0.006	0.047	0.085	0.119	-0.088	0.105	0.194	0.004	-									
11 Work 35+ h	-0.141	0.092	0.213	0.235	0.015	0.090	0.287	0.185	0.267	-0.015	-								
12 Hired	-0.179	0.148	0.188	0.151	-0.069	0.093	0.249	0.216	0.213	0.091	0.163	-							
13 Bus Plan	-0.147	0.043	0.051	0.149	0.089	0.046	0.172	0.216	0.173	0.207	0.149	0.110	-						
14 Promotion	-0.032	0.357	0.234	0.293	-0.021	0.201	0.210	0.079	0.287	0.051	0.231	0.139	0.174	-					
15 Fin Stat	-0.148	0.076	0.093	0.134	-0.004	0.059	0.206	0.181	0.200	0.172	0.113	0.153	0.363	0.154	-				
16 Scale Phys Res	-0.069	0.704	0.785	0.599	-0.017	0.294	0.351	0.146	0.377	0.057	0.254	0.233	0.109	0.415	0.141	-			
17 Scale Fin Res	-0.141	0.282	0.311	0.333	0.369	0.356	0.687	0.531	0.657	0.129	0.339	0.279	0.269	0.292	0.255	0.435	-		
18 Scale Org Res	-0.244	0.215	0.237	0.332	0.044	0.117	0.359	0.327	0.360	0.490	0.484	0.419	0.642	0.554	0.618	0.365	0.474	-	
19 Anyone Helping	-0.020	0.090	0.112	0.073	0.034	0.022	0.032	0.077	0.132	0.009	0.042	0.089	0.029	0.177	0.102	0.133	0.105	0.137	-
20 Hi Tech	-0.017	-0.029	0.009	0.064	0.049	0.027	0.025	0.052	0.011	0.041	0.009	-0.018	0.061	0.017	0.105	0.017	0.057	0.084	-0.019

Table 3
Cross frequencies: resource assembly by location, development of social capital, and industry membership (n= 512)

Resources	Location				Chi square (d.f.= 1)	Social capital				Chi square (d.f.= 1)	Hi tech business				Chi square (d.f.= 1)
	Home		Away			Yes		No			Yes		No		
	Acquired	Percent	Acquired	Percent		Acquired	Percent	Acquired	Percent		Acquired	Percent	Acquired	Percent	
<i>Physical</i>															
Raw Mat	255	79.44	73	64.04	10.763***	230	75.41	122	68.16	2.992†	106	69.28	232	73.42	0.876
Facilities	157	48.91	76	66.67	10.664***	171	56.07	79	44.13	6.43*	78	50.98	165	52.22	0.063
Phone	52	16.20	39	34.21	16.496***	65	21.31	29	16.20	1.882†	34	22.22	55	17.41	1.556
<i>Financial</i>															
Saved	238	74.14	79	69.30	1.1	224	73.44	128	71.51	0.134	117	76.47	226	71.52	1.56
Invested	292	90.97	94	82.46	6.094**	271	88.85	156	87.15	0.314	136	88.89	277	87.66	0.148
Credit	101	31.46	47	41.23	2.629†	103	33.77	61	34.08	0.002	54	35.29	102	32.28	0.159
Asked Funds	63	19.63	40	35.09	11.128***	76	24.92	36	20.11	1.465	40	26.14	71	22.47	0.771
Bank Acc	101	31.46	63	55.26	27.770***	127	41.64	50	27.93	8.470**	54	35.29	115	36.39	0.024
<i>Organizational</i>															
Team	170	52.96	78	68.42	8.206**	174	57.05	99	55.31	0.139	92	60.13	172	54.43	1.361
Work 35+ h	80	24.92	44	38.60	7.718**	84	27.54	48	26.82	0.03	43	28.10	84	26.58	0.121
Hired	32	9.97	25	21.93	10.486***	44	14.43	17	9.50	2.529†	17	11.11	43	13.61	0.539
Bus Plan	178	55.45	83	72.81	10.352***	180	59.02	103	57.54	0.129	92	60.13	179	56.65	0.462
Promotion	189	58.88	70	61.40	0.223	193	63.28	80	44.69	16.846***	85	55.56	176	55.70	0.001
Fin Stat	100	31.15	52	45.61	7.995***	114	37.38	51	28.49	4.168*	62	40.52	96	30.38	4.871*

† significant at p<.1; * significant at p<.05; ** significant at p<.01; *** significant at p<.001

plan, or started marketing and promotional activities. About a third had developed financial statements or started working full time for the new venture, but less than 15% had hired employees for pay. Overall, less than half ($M= 2.46$, $SD= 1.48$) of the organizational resources were assembled at the time of the study.

We tested Hypothesis 1 by running cross tabulations of resources by location, controlling for development of social resources and industry membership. Results are presented in table 3. Results indicate that a significantly higher proportion of home-based entrepreneurs had arranged for raw materials, while a significantly higher proportion of away-based entrepreneurs had arranged for facilities and established a dedicated telephone line for the new business. Although the majority of nascent entrepreneurs invested their own money into the new venture, a significantly higher number of home-based entrepreneurs invested their own money (91% of home-based businesses versus 82% of away-based businesses).

Away-based entrepreneurs tended to also use other sources of financing, such as asking for funds from financial institutions (19% of home-based businesses versus 35% of away-based) or opening a bank account (31% and 55%, respectively). There were no significant differences in the counts of home or away-based entrepreneurs who had saved money for the new business, while away-based businesses were marginally more likely to establish credit with suppliers (31% versus 41%, $p<.1$). Away-based businesses were significantly more likely to assemble all categories of organizational resources, with the exception of starting of marketing or promotional activities, in which there were no significant differences. Taken together, the comparisons reveal highly significant differences in the resource profiles of nascent ventures based on their location, which lends support to our Hypothesis 1.

The two control variables we tested for were not powerful predictors of nascent ventures' resource profiles, although some spurious effects of social capital on the rent or lease of facilities, opening of a bank account, starting of promotional activities, or development of financial statements cannot be completely ruled out. Industry membership was a very weak predictor of nascent ventures' resource profiles. The only significant effect was on the development of financial statements.

We tested Hypotheses 2 by running a multivariate analysis of variance (MANOVA) of location on scale (sums of counts) of physical resources, financial resources, and organizational resources. Because we could not completely rule out the potential confounding effects of social capital or industry membership, we

retained those variables as controls in the analysis of variance. Results are presented in table 4. The results suggest that location significantly impacts the scale of resource assembly (MANOVA summary: $F(1,3)= 10.056$, $p<.001$). Turning to individual effects, away-based businesses tended to acquire a significantly larger amount of both financial and organizational resources, as well as a marginally larger amount of physical resources. These results lend support to our Hypotheses 2. With respect to our control variables, industry membership was a non-significant predictor of the scale of resource assembly, while development of social capital, although not as powerful as location, was still a significant predictor (MANOVA summary $F(1,3)= 3.661$, $p<.01$).

Discussion

As suggested in the beginning of the paper, we found significant differences in resource profiles depending on whether new ventures were located at home or away from home. This finding suggests that location makes a difference in the resource assembly process of nascent entrepreneurs and supports a more general theory of nascence in which entrepreneurial start-ups are embedded in social structures that influence the resource assembly process (Aldrich & Martínez, 2001; Baum & Haveman, 1997; Jack & Anderson, 2002). Overall, our results indicate that away-based businesses were more likely to have arranged for physical facilities, requested outside sources of financing, utilized credit from suppliers and begun building organizational resources. By comparison, home-based new ventures, as indicated by our exemplar firm *Giving Greetings*, were more likely to have assembled raw materials and utilized their own sources of capital. Importantly, the industry in which the new venture belongs was not associated with the location decision.

Home-based businesses may have lower perceived cognitive and socio-political legitimacy that may affect their ability to assemble certain types of resources (Aldrich & Baker, 2001). For instance, a home-based enterprise is likely to be located in a residential area. The identity of the venture as a service/product producing entity may not be perceived as clearly as for ventures that have a physically separate location. Hence the new venture may lack cognitive legitimacy, or acceptance as a taken for granted feature of the environment (Aldrich, 1999). Similarly, the identity of the away-based venture as a «business» may facilitate its ability to acquire credit, organizational resources and supplier relationships. Therefore, the socio-political legitimacy of key stakeholders is

Table 4
Scale of resource assembly by location, development of social capital, and industry membership (n= 512)

Resources	Location ^{a)}		Social capital ^{b)}				Hi tech business ^{c)}								
	Home		Away		Yes		No		Yes		No				
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.			
Physical	1.4488	0.8402	1.5954	1.1285	2.546†	1.5710	0.8926	1.3404	0.9596	10.311***	1.5309	0.9663	1.4639	0.9041	0.174
Financial	2.4855	1.1065	2.8559	1.2074	9.332**	2.6700	1.1355	2.4192	1.1424	4.571*	2.6623	1.1882	2.5338	1.1042	1.334
Organizational	2.2473	1.4066	3.0775	1.5391	29.313***	2.5786	1.2885	2.2567	1.4659	2.191†	2.6688	1.5202	2.3303	1.4570	5.727*

a) MANOVA summary: Pillais Trace (1, 3)= 10.056***, $R^2= 0.062$, power= 0.99

b) MANOVA summary: Pillais Trace (1, 3)= 3.661**, $R^2= 0.023$, power= 0.79

c) MANOVA summary: Pillais Trace (1, 3)= 1.992†, $R^2= 0.014$, power= 0.51

† significant at $p<.1$; * significant at $p<.05$; ** significant at $p<.01$; *** significant at $p<.001$

greater for away-based rather than home-based ventures (Aldrich & Baker, 2001).

An alternative explanation for the smaller scale of resource acquisition in home-based businesses may be that home-based businesses operate in a contextual environment of pre-existing resource endowments (Jack & Anderson, 2002). The physical facilities (e.g., garage, basement or part of the house) are a pre-existing resource endowment that does not have to be acquired, leased or purchased (Brush et al., 2001). In particular, phone, computer and other physical equipment may already be in place and there is no need to «travel» to the place of work. Sales by Internet, local or in-person advertising would be easier to achieve because organizing new routines in new facilities is not necessary. In other words, in a home-based business, the nascent entrepreneur is embedded in a contextual environment of physical resources (Jack & Anderson, 2002). In contrast, an away-based business is grounded in a new physical and social context where it must develop its own formal identity (Aldrich & Baker, 2001). Instead of drawing on a family/household system of resources and structures, the new venture must create a new set of contextual relationships in a new location (Jack & Anderson, 2002).

We also speculate that the embedded structure of the home-based resources may be a constraint. While our study does not measure routines and activities on a day-to-day basis, it is possible that household/family routines interact with the systems/routines of the new ventures. For example, if there are young children in the household, the demands and activities of the family may take precedence or interrupt the early start-up activities of the new venture. At an away location, this interaction is less likely.

Conclusions

This paper explores the effects of the crucial start-up decision, location, on resource profiles and scale of resource assembly. It is argued that organizations define their relationship with their environment by choosing a location where they have access to resources, information and can achieve a resource advantage (Barney, 2002; Baum & Haveman, 1997; Penrose, 1959). We investigated differences in resource profiles depending on whether new ventures were home-based or away-based and found that depending on location, different bundles of resources were

assembled. Our findings have several implications for future research.

The opportunity to compare the growth trajectories of home-based and away-based businesses over time would be of great interest. To what extent do home-based businesses grow at the same or different rates than away-based ventures? Is this location decision a facilitator or constraint over time? Our research shows that home based businesses assembled predominantly physical resources and used their own financing. It would be of interest to further explore whether there is path dependency (Cohen & Leventhal, 1990) associated with these early resources assembly activities depending on the location decision.

Drawing from social psychology, another extension to this research would be to explore the cognitive aspects of the resource location and assembly process. For example, do entrepreneurs founding home-based ventures have a higher illusion of control or more self-confidence because they are operating from a familiar environment? If so, how does this affect the resource assembly process? Alternatively, if a venture is physically located closer to its competitors, is the entrepreneur better able to estimate market demand, complementary assets or competitive responses?

Our work takes an important first step by exploring an initial strategic decision made by all entrepreneurs. There is an assumption in the entrepreneurship literature that new ventures are away-based. However, given that 3/4 of all nascent businesses in this household study of business start-ups were home-based in the early stages, our work takes the first step in untangling these as yet unexplored differences. The location decision has implications for other start-up activities, in particular, development of resources into a distinct or unique advantage, building organizational competencies and creating strategic alliances. For entrepreneurs thinking about starting their own businesses, our work provides the first initial empirical evidence that choice of business location, home or away, presents different opportunities for the fledging firm.

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