At first glance, the theory seems completely counter-intuitive. But when Steven Bradley started to really look at the question, the answer became surprisingly clear. The assistant professor of Management and Entrepreneurship wondered: how do resources help or hurt new businesses? His hunch was that for start-up businesses, too many resources could hinder more than they helped.

"The idea came from my experiences as an entrepreneur in the '90s," Bradley said. "I started a small business with very little money during the height of the dot-com bubble."

A friend of Bradley's was working for a publicly traded dot-com business at about the same time.

"His company was burning through money," Bradley said. "He was proud of having one of the most expensive office spaces in Austin and more resources than I could imagine. And I was asking myself how I could very creatively use the little money and resources I had in my business."

When the dot-com bubble burst, Bradley's friend's company went bankrupt, while his survived.

That's when Bradley became interested in the "folding table theory," which suggests that the success or failure of a start-up business could be predicted by visiting the offices. If they have a receptionist and high-priced art on the walls, it predicted failure. But if the business was operating off folding tables, the business would succeed.

Bradley began thinking about those successful "folding table" businesses, like Cisco and eBay.

"I started wondering, could too many resources be a bad thing?" he said. "As it turns out, yes. If you run into problems and you have money, you bring in a consultant. If not, you start working out creative solutions: what can I do to 'duct tape' this problem using the resources I already have? Instead of buying your way out, you have to be creative with your resources, and that is what brings inventiveness, ingenuity and—ultimately—success to a company."

Bradley's research extended to looking at how these businesses performed during the recent economic downturn. He coauthored two articles published in top journals: "Competition, Resources, and Environmental Change: The Asymmetric Paths of Young Independent and Subsidiary Organizations," *Strategic Management Journal* (coauthors: Howard Aldrich, Dean Shepherd, Johan Wiklund); and "The Importance of Slack for Organizations Facing Tough Environments," *Journal of Management Studies* (coauthors: Dean Shepherd, Johan Wiklund).

Bradley's research showed that start-up companies that were subsidiaries were, in some ways, protected by their parent firms, but that during the economic downturn, independent companies had a better chance to survive.

"Many of the bad independents failed, of course," Bradley said, "but the good ones did better than the subsidiaries, in large part because they were able to find creative ways to face challenges. Those companies that have to figure out how to survive, do the best."

The other finding from the study, which was five years in the making, was evidence of progressive learning by companies.

"We know it's occurring, and we can show that time and experience in the use of even limited resources is a factor," Bradley said. "It's an exciting finding because learning is tough to quantify."

Bradley is now expanding his research to, hopefully, find more effective ways to assist businesses in developing countries.

"Conventional thinking is that the poor in developing countries are entrepreneurs waiting for capital," Bradley said. "But we are finding loans through micro-financing are having little effect on the poverty level. In fact, people are often using loans to off-set lack of income, like a credit card."

The successful microfinance loans, he said, are those to people who are resourceful.

"I don't think money is ever the bottom line problem," he said. "Whether in the U.S. or Kenya, it's about good ideas and how to find them."

This theory got Bradley thinking about the concept of resourcefulness.

"When people are asked, 'What comes to mind when you think of an entrepreneur?', resourcefulness is often mentioned," he said. "But resourcefulness has never really been measured or studied in the field before."

So that's what he and his team set out to do.

Bradley created a survey that measured the resourcefulness of 1,000 entrepreneurs in four countries: Indonesia, Kenya, Burundi and the Dominican Republic.

"It is a pretty exciting finding," Bradley said. "We are finding there are two paths to successful business growth."

The first is opportunity-based: an entrepreneur identifies a need in the market and creates a business based on innovation. The second is necessity-based: the entrepreneur does not typically innovate, but rather finds ways to use the resources around him to succeed.

"We call it innovation of effort," Bradley said. "Even though they don't necessarily come up with innovative ideas, they know how to find the right people or where to find the financial resources to grow their business."

Innovation of effort, he said, also takes into account psychological measures, like delayed gratification, which show how people manage themselves, allowing them to overcome obstacles.

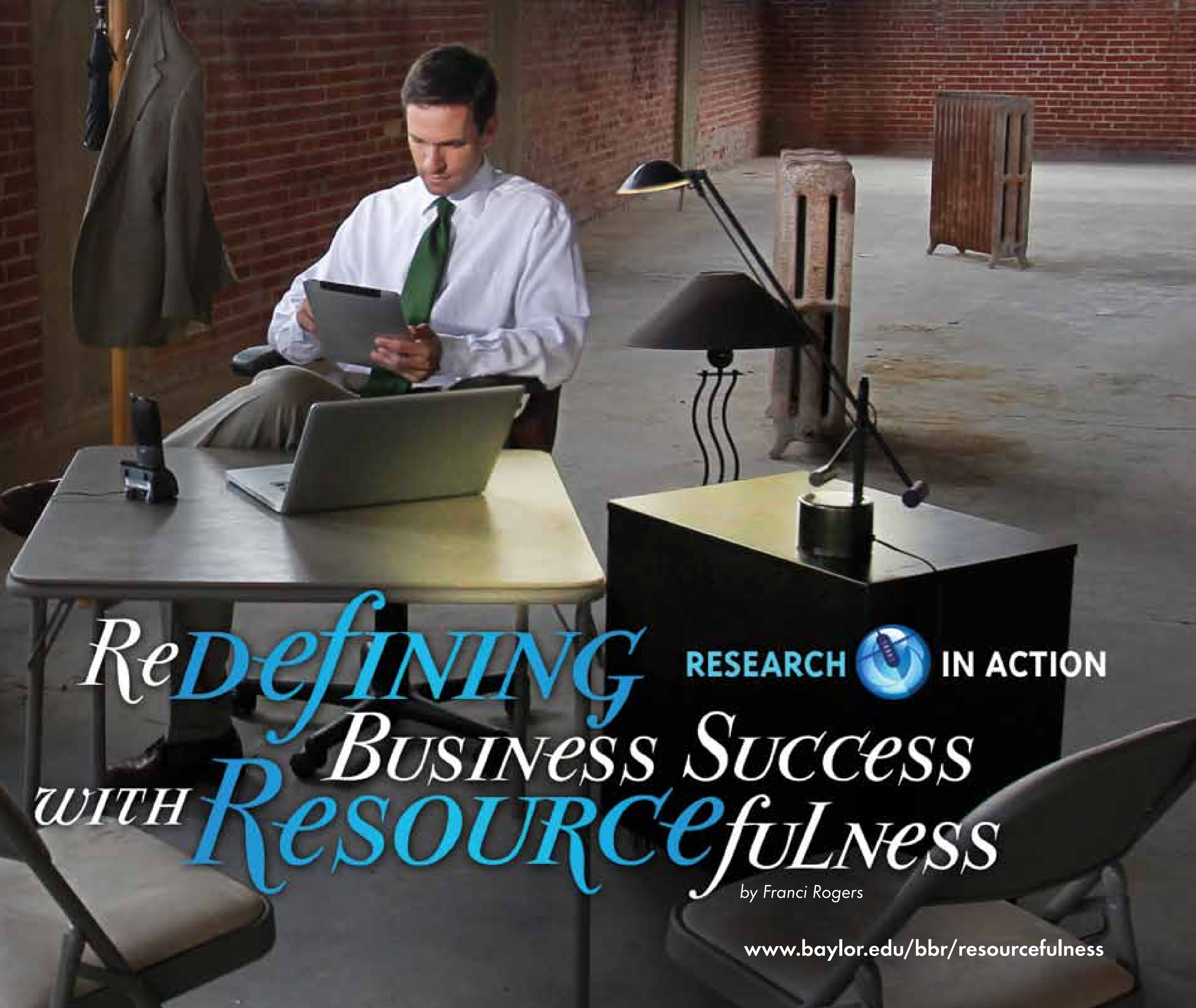
"The people we surveyed who were really successful were the ones who knew how to make the best of what they had, and were able to creatively find solutions for their needs," he said. "So much of it is about effort."

Bradley is now planning to study the idea of microfranchise versus microfinance in developing countries. With his new findings on the innovation of effort, combined with previous findings about using limited resources, Bradley is curious to see the potential outcomes.

"The idea is to find a number of low-cost businesses, which already have a business model in place, and provide entrepreneurs in developing countries with the name and training," Bradley said. "We want to see what happens if you introduce a business that's not new to the world, but new to that area of the world."

No matter where his research takes him next, Bradley is excited about the new way in which success is framed.

"People often think of business success or failure in terms of resources," he said, "but it's really about *resourcefulness*. So much of success has to do with the innovation of effort."



ReDefining Business Success with Resourcefulness

RESEARCH IN ACTION

by Franci Rogers

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