

6-13-2015

OPTIMISTIC ENTREPRENEURS AND STRATEGIC CHANGE IN HIGH-TECH NEW VENTURES: AN EXAMINATION BASED ON THE BEHAVIORAL THEORY OF THE FIRM (SUMMARY)

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Recommended Citation

Yavuz, R. Isil; Dutta, Dev K.; and Soytas, Mehmet (2015) "OPTIMISTIC ENTREPRENEURS AND STRATEGIC CHANGE IN HIGH-TECH NEW VENTURES: AN EXAMINATION BASED ON THE BEHAVIORAL THEORY OF THE FIRM (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 35 : Iss. 9 , Article 8.

Available at: <http://digitalknowledge.babson.edu/fer/vol35/iss9/8>

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 SUMMARY **OPTIMISTIC ENTREPRENEURS AND STRATEGIC CHANGE
IN HIGH-TECH NEW VENTURES: AN EXAMINATION
BASED ON THE BEHAVIORAL THEORY OF THE FIRM**

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Principal Topics

We apply behavioral theory of the firm (BTOF) to high-tech new ventures and examine how performance feedback affects new strategic initiatives (i.e., new product introductions), and the role of entrepreneurial optimism in this processes.

Methods/Key Propositions

According to BTOF, firms adjust their behaviors in response to favorable and unfavorable performance feedback (Cyert & March, 1963, Greve, 1998). Low performance relative to aspirations is taken to be a problem and to raise performance above the aspiration level, firms search for alternative solutions such as introducing new products. High performance relative to aspirations, on the other hand, causes firms to maintain the current operations and may limit new strategic initiatives. Thus: *H1: For high-tech new ventures, the probability of introducing a new product is higher when past performance is below aspirations than when past performance is same as or above aspirations.*

We also argue that strategic responses to performance feedback is moderated by entrepreneurial optimism such that optimistic entrepreneurs tend to respond to performance shortfalls with continuing efforts to solve problems and try new things while pessimist entrepreneurs would tend to deny or disengage themselves from the problems instead of trying to solve them (Papenhausen, 2010). Thus: *H2: For high-tech new ventures, the level of founder optimism moderates the relationship between past performance and new product introductions such that when performance falls short of aspirations, new ventures founded by more optimistic founders are more likely to introduce new products relative to those founded by less optimistic founders.*

Our data came from Kauffman Firm Survey (KFS), large panel data set of new firms that were all founded in 2004 in the US. Our sample consists of 333 high technology new ventures, 173 of which have introduced at least one new product. We employed logit regression to test our hypotheses.

Results/Implications

Our preliminary results show that when past performance is below aspirations, the probability of introducing a new product is higher for optimistic entrepreneurs relative to non-optimistic entrepreneurs. When past performance is above aspirations, on the other hand, entrepreneurs being optimistic or not does not have significant effect on new product introductions.

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