DO RISK ATTITUDES DIFFER WITHIN THE GROUP OF ENTREPRENEURS? (SUMMARY)

Joern H. Block  
*Erasmus University Rotterdam, block@ese.eur.nl*

Philipp Sandner  
*Technische Universität München (TUM)*

Frank Spiegel  
*Technische Universität München*

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SUMMARY

DO RISK ATTITUDES DIFFER WITHIN THE GROUP OF ENTREPRENEURS?

Joern Block, Erasmus University Rotterdam, Netherlands
Philipp Sandner, Technische Universität München (TUM), Germany
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Principal Topic

Entrepreneurs are considered risk-takers. At the same time, entrepreneurs as a group are very heterogeneous in nature, ranging from ones like Bill Gates who grow their start-up into a multi-billion dollar business to ones like the small shop owner. Thus far, most of the literature about the risk attitudes of entrepreneurs has treated the group of entrepreneurs as homogenous comparing their risk attitudes with the risk attitudes of managers, bankers, or employees. Little research exists on the differences of risk attitudes within the group of entrepreneurs. Our particular focus is on the motivation of entrepreneurs to start their business. We analyze two related research questions: how does the risk attitude of necessity and opportunity entrepreneurs differ? How is the entrepreneurs’ source of work motivation associated with their risk attitude?

Method

A survey with 1,526 observations from entrepreneurs was conducted in Germany. We addressed three types of risk: general risk attitude, risk attitude related to the venture, and risk behavior in a lottery question. Start-up and socio-demographic characteristics were collected, additionally.

Results and Implications

Our results show that entrepreneurs are not a homogenous group with regard to their risk attitude. Both entrepreneurs’ motivations to start their venture (necessity versus opportunity) and entrepreneurs’ sources of work motivation were found to be strongly associated with their risk attitude. A low level of risk aversion is regarded as a factor explaining whether an individual chooses to become an entrepreneur or not. We show that there also exist remarkable differences with regard to risk aversion within the group of entrepreneurs, not only between entrepreneurs and other individuals. Beyond to what is known about general individual-specific determinants of risk aversion (e.g., gender, age, cognitive ability), there also exist entrepreneurship-specific factors that are associated with entrepreneurs’ risk attitudes. By showing that necessity entrepreneurs have a lower willingness to take risks relative to other entrepreneurs, we contribute to the discussion of the specifics of this particular group. Since risk taking is a crucial aspect of entrepreneurial behavior, we suggest treating necessity entrepreneurs as a separate category in both entrepreneurship research and practice.

CONTACT: Joern Block; block@ese.eur.nl, (T): +31-10-408-1004, (F): +31-10-408-9640; Erasmus University Rotterdam, Department of Applied Economics, P.O. Box 1738, 3000 DR Rotterdam.