THE ROLE OF REPUTATION IN THE ENTREPRENEURIAL PROCESS: A CONCEPTUAL MODEL (SUMMARY)

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SUMMARY

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A CONCEPTUAL MODEL

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Principal Topic

Venture creation is a social endeavor that necessarily requires the participation of multiple actors that come together with differing belief systems, perceptions, and importantly - different information (Shane & Cable, 2002). Given the asymmetry of information that characterizes relationships between participants in the entrepreneurial process, understanding the factors that inform entrepreneurial action represents a daunting challenge. Reputation plays a central role in such interactions (Fischer & Reuber, 2007); however questions as to how to conceptualize reputation in entrepreneurship remain largely unexplored.

We draw from work on reputation in the economics, organizational behavior, and psychology literatures, to develop a conceptual model positioned to decompose how entrepreneurial reputation is ultimately constructed, informed, and communicated. We situate our model in the entrepreneurial environment, and suggest propositions that relate entrepreneurial actions and artifacts with legitimizing outcomes, which we in turn serve to increase the likelihood that one’s entrepreneurial reputation will become salient to others across entrepreneurial situations.

Methods

We propose that entrepreneurial reputation is informed based on categories of ‘others’ perceptions of the entrepreneur’s legitimacy in the entrepreneurial role, and also the entrepreneur’s own interpretations of their legitimacy as perceived by others. We develop model that situates reputation in an entrepreneurial context, and define entrepreneurial reputation as the perceptual identity of an individual as held by other actors in the entrepreneurial process, which serves to reduce the uncertainty regarding the expected future behavior of the entrepreneur. The target’s perception of the entrepreneur’s human capital, social capital, and past behavior serve to form expectations of actor behavior. As this assessment is adjusted based on the assessment of others, a reputation is formed. The reputation is then adjusted based on episodic events and actual actor behaviors.

Results and Implications

We explore the relationship between reputation and identity across contexts, and suggest conditions where legitimacy conferred outside the entrepreneurial context may inform the development of an entrepreneurial reputation, and alternatively how legitimacy conferred through entrepreneurial action may inform competing identities outside of entrepreneurship. This research informs the entrepreneurship, psychology, and sociology literatures, suggesting a testable, framework through which to investigate the origins of reputation associated with a role that is inherently ambiguous, dynamic, and uncertain – the entrepreneur.

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