ARE YOU TALKING TO ME? POPULATION RATES AS SIGNALS OF ENTREPRENEURIAL OPPORTUNITIES (SUMMARY)

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SUMMARY

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Principal Topic

Entrepreneurs evaluating opportunities are likely to engage in information searches that provide signals regarding the viability of those opportunities. These signals serve to reduce the uncertainty associated with opportunity exploitation while providing a platform for entrepreneurial action (McMullen and Shepherd, 2006). One potential source of opportunity signals is described in ecological models that suggest population level founding rates, dissolution rates, and population density provide entrepreneurs with information regarding the viability of new venture creation (Aldrich, 1990, Hannan and Carroll, 1992). However, the true nature of the signaling effects of population level rates and density remain a ‘black box,’ because the population level data used to test ecological models cannot represent the cognitions of entrepreneurs. Our research attempts to fill this gap by developing and testing a series of hypotheses that specify the impact of population level founding rates, dissolution rates, and density levels, as well as the effects of fear of failure and general self-efficacy, on the entrepreneur’s decision to invest in an entrepreneurial opportunity.

Methods

We selected a metric conjoint methodology to test our hypotheses and utilized a full factorial design to develop conjoint profiles (2 founding rates x 2 dissolution rates x 3 density levels). Our dependent variable was the entrepreneur’s decision to invest in an opportunity. Fifty-seven experienced entrepreneurs participated in our experiment.

Results and Implications

Results revealed significant main effects for population level founding rates, dissolution rates, and density levels. Specifically, we found that entrepreneurs were more likely to invest in an opportunity when founding rates were high, dissolution rates were low, and density levels were low or moderate. We found few interactions between these variables. We also found that entrepreneurs with lower fear of failure scores were more likely to invest in an opportunity, while general self efficacy scores had no significant effect on the likelihood of investment. Our findings suggest that when entrepreneurs are cued with information about population density or population dynamics, these signals provide insights regarding opportunity viability. On a broader level, the contribution of our findings is a greater insight into the relationship between ecological conditions and the cognitions and actions of entrepreneurs.

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