ENTREPRENEURS' STARTUP DECISIONS VERSUS PERSISTENCE DECISIONS: A LOOK AT EXPECTANCY X VALUE (SUMMARY)

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ENTREPRENEURS’ STARTUP DECISIONS VERSUS PERSISTENCE DECISIONS: A LOOK AT EXPECTANCY X VALUE

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Principal Topic

Expectancy-based theories are among the most studied cognitive theories of motivation and have been particularly useful in the examination of choice between alternative behaviors. Expectancy x value theory suggests that individuals seek utility maximization; i.e. a positive interaction between expectancy and value. In this paper, we compare the way that entrepreneurs use expectancy and value in their decision policies for startup decisions versus persistence decisions. We argue that the interaction between expectancy and value will be significant and positive (utility maximization) in the startup decision but the interaction between expectancy and value will be negative when choosing whether or not to persist.

Method

In order to compare startup and persistence decisions, we developed a conjoint experiment. The sample consists of 85 business owner-managers of firms less than 10 years old in high technology industries. The experiment was administered using a web-based survey site. Respondents were asked to make a series of judgments regarding the likelihood that they would pursue an entrepreneurial opportunity, with or without persisting with their current business, given a number of hypothetical scenarios. The scenarios differed across four attributes: financial returns, probability of financial returns, non-financial benefits, and the probability of achieving non-financial benefits. HLM was used to analyze the data.

Results and Implications

The results of this study suggest that there is heterogeneity in entrepreneurs’ use of expectancy and value in decision policies based on whether the decision includes persisting with their current business or not. We found that entrepreneurs may not seek utility maximization when considering entrepreneurial opportunities that require them to give up their current venture.

This study contributes to the literature by uniquely examining the differences between startup decisions and persistence decisions. The study provides unique insights into the growing body of knowledge concerning entrepreneurial decision-making. Persistence is a vital part of the entrepreneurial process; however, ill-advised decisions to persist may lead to wasted resources. If entrepreneurial decision-makers are able to understand how the decision context may naturally predispose them towards a certain choice, they may be able to take precautionary measures by purposely seeking objective data or opinions from other sources.

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