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THE ROLE OF IDENTITY IN ENTREPRENEURIAL PERSISTENCE (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

THE ROLE OF IDENTITY IN ENTREPRENEURIAL PERSISTENCE

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Principal Topic

Underperforming firms refer to firms whose performance is below owners' expectations for a long period of time (DeTienne et al., 2008). According to population ecology theory, underperforming firms will be eventually forced out of the market. Why, then, do owner-managers persist with underperforming ventures? In this research, we draw on identity theory and social identity theory, and seek to explain how individual, relational, and social identities influence owner-managers' decisions about underperforming ventures. Furthermore, we examine how these three types of identities interact with the availability of alternative opportunities to influence the above decisions.

Method

We conducted a conjoint experiment to test our hypotheses. Four decision attributes—individual attachment to the venture, family identity, social identity, and the availability of alternative opportunities—were manipulated into two levels: high vs. low. A factorial design produced 16 (2^4) decision profiles, which were fully replicated to test all the main effects and interactions. 122 undergraduate students at a Canadian university participated in this study.

Results and Implications

We found that individuals possessing a strong attachment to the venture or a strong social identity were more likely to persist with underperforming ventures ($p < 0.001$). In contrast, individuals with strong family identity or many alternative opportunities were less likely to stay with underperforming ventures ($p < 0.001$). More importantly, individual attachment to the venture interacted, respectively, with family identity, social identity, and the availability of alternative opportunities, to influence decisions about underperforming ventures. To be specific, individuals possessing alternative opportunities were more likely to stay with the venture when their attachment was stronger than when it was weaker. In contrast, individuals attached to the venture were less likely to stay with it when their family or social identity was higher than when it was lower.

This research provides a systematic account of and empirical support for how individual, relational, and social identity influence owner-managers' decisions about underperforming ventures. Our findings show that owner-managers not only seek uniqueness, but also attach importance to the sense of belonging (Brewer, 1991).

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