ENTREPRENEURIAL FEEDBACK INTERPRETATION AND GOAL ADJUSTMENT (SUMMARY)

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ENTREPRENEURIAL FEEDBACK INTERPRETATION AND GOAL ADJUSTMENT

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Principal Topic

Adjusting goals subsequent to feedback from the environment is crucial for entrepreneurial activity and success (Bird, 1988). Yet, there is surprisingly little research on the micro-mechanisms underlying entrepreneurial feedback interpretation and subsequent goal adjustment. To fill this gap, we propose a study examining the impact of entrepreneur’s psychology factors on feedback interpretation and goal adjustment. Taking a lens from behavioral motivation theory (Higgins, 1997/1998), we propose that an entrepreneur’s regulatory focus (i.e., promotion versus prevention) (Brockner, Higgins, & Low, 2004; Ilies & Judge, 2005; Seo & Ilies, 2009) will influence how she will interpret feedback and potentially adjust her goals. Furthermore, self-esteem has been shown to influence the feedback interpretation process in experiments (Baumeister, Heatheron, & Tice, 1993; Ilies, De Pater, & Judge, 2007), and thus will likely play a role in entrepreneurial feedback interpretation. We expect similar effects for self-efficacy (Locke & Latham, 2006).

Method

In our study, we examine the influence of regulatory focus and self-esteem in a random sample of 161 CEOs of German start-up firms founded between 2006 and 2010. The entrepreneurial goal adjustment process is captured by: (a) actual performance feedback prior to the questionnaire assessment, (b) the entrepreneurs’ satisfaction with this performance, and (c) their prognosis for future growth in 2013 and 2015. Data sources are a comprehensive survey and objective performance data from balance sheets. Moderation effects of self-esteem and regulatory focus (and optimism and self-efficacy) are tested on the following relationships: a → b → c.

Results and Implications

As expected, promotion focus positively moderates the relationship between feedback and subsequent goal (β=2.024*** (0.350), adj. R²=0.247). A similar effect can be seen for self-efficacy but not for self-esteem. Self-esteem, however, weakens the positive relationship between satisfaction with feedback and subsequent goal.

By examining the influence of relevant psychological variables our study improves our understanding of entrepreneurial feedback interpretation and goal adjustment. Specifically, we are able to detect when and how these variables affect the feedback interpretation process.

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