ENTREPRENEURIAL SYMBIOSES: ENTREPRENEURS’ PSYCHOLOGICAL OWNERSHIP, DECISION MAKING AND GROWTH (INTERACTIVE PAPER)

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Principal Topic

This study examines how an entrepreneur’s psychological ownership (PO) impacts their decision-making orientation and a new venture’s growth. An entrepreneur’s PO is an important part of the entrepreneurial process (Cardon, et al., 2005). Over identification with their venture influences entrepreneur’s persistence on an emotional level that helps reduce grief due to business failure (DeTienne, Shepherd and De Castro, 2008; Shepherd, Wiklund, Haynie, 2009). Although the concept of PO is well known in organizational literature, there are few studies that empirically examine the impact of PO on the entrepreneurial process.

It is argued that PO influences an entrepreneur’s ability to make rational decisions (Hayward, Shepherd and Griffin, 2006). Researchers argue that entrepreneurs’ decision making is influenced by their over confidence (Hayward, Shepherd and Griffin, 2006) and reliance on cognitive biases such as heuristics (Busenitz and Barney, 1997). However, when entrepreneurs have final decision authority, the decision speed and comprehensiveness is found to be interrelated to the degree of trust within the top management team (Talaulicar, Grundei and Werder, 2005).

Methods/Key Propositions

The study is based on data collected from 138 Israeli entrepreneurs. Preliminary findings indicate that self-efficacy aspect of entrepreneurs PO is positively associated with growth. However, the high self-identity aspect of entrepreneurs PO is negatively associated with growth. Surprisingly, decision making based on over confidence is found to be positively correlated with all PO aspects. Decision making based on rational consideration is found to be negatively associated with growth. Finally, we found that management decision based on trust between the top management team moderate the positive relations between entrepreneurs’ sense of belongingness and growth.

Implications

The findings of this study highlight the positive impact of entrepreneurs’ self-efficacy and sense of belongingness on new ventures growth. However, high self-identification of entrepreneurs with their venture has a preventative aspect and negative influence on new ventures growth. The findings add to the decision making literature by showing that promotative aspect of PO is interrelated to the decision making process. The finding also extend previous study findings (Talaulicar, Grundei and Werder, 2005) by showing that sense of belongingness is a promotative aspect on entrepreneurs PO, especially when decision is based on trust among the top management team members.

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