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UNCERTAIN BUT ABLE: ENTREPRENEURIAL SELF-EFFICACY AND NOVICES’ USE OF EXPERT DECISION-LOGIC UNDER UNCERTAINTY (INTERACTIVE PAPER)

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Principal Topic

Overall, scholars agree that entrepreneurs’ initial decisions are made in the face of fundamentally unpredictable situations and that predictive strategies are therefore largely inadequate in the pre-firm stage. Against this backdrop, ‘effectuation’—a non-predictive logic used by expert entrepreneurs—is positioned as a viable alternative. Yet, despite the rapidly growing volume of scholarship devoted to effectuation, research on its antecedents remains limited in scope. While the role of entrepreneurial experience has been the focus of much investigation, theory still does not adequately explain why entrepreneurs, confronted with identical conditions, vary in their reliance on effectuation. In particular, what are the factors that may mitigate an “experience deficit” and promote the use of effectuation among novices? In addressing this question we specifically focus on entrepreneurial self-efficacy (ESE) and situational framing (opportunity and threat) to understand how, depending on the level of ESE, the same uncertain situation may be interpreted through different lenses, thereby evoking different strategic responses.

Method

We conducted an experiment wherein we manipulated participants’ (93 Dutch business-students) perceptions of ESE by randomly assigning them to receive (bogus) feedback (positive vs. negative vs. control) about their entrepreneurial ability. All participants were then instructed to assume the role of an entrepreneur and read through a realistic venture scenario designed to elicit perceptions of high state uncertainty. Next, they indicated whether this situation represented an opportunity and/or a threat and answered items measuring their predominant logic in tackling a series of venturing decision-problems. Controls and manipulation checks confirmed the validity of the experiment.

Results and Implications

Our findings suggest that, all other things being equal, novice entrepreneurs are prone to use prediction under uncertainty. However, this tendency, in which predictive logic is used for a situation recognized as unpredictable, can be reversed. Indeed, participants who experienced an increase in ESE were more likely to frame the same uncertain situation as an opportunity and rely on the non-predictive logic of effectuation. These results offer important contributions to entrepreneurship theory and practice.

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