UNDERSTANDING THE COMMITMENT OF NEW VENTURE FOUNDERS: DIGGING IN OR MOVING ON? (SUMMARY)

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SUMMARY

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Principal Topic

Centralized decision making in the new venture creates greater dependence on the lead founder and requires a high level of ongoing commitment to ensure that the new venture becomes established. Such commitment, though, is not engendered by tactical processes such as selecting a location, filing paperwork, or protecting intellectual property. As a result, a founder may lose interest in starting the new venture when faced with mundane tasks that offer few, if any, intrinsic rewards. Given the essential role that the founder plays in new venture creation, it is important to understand the factors that influence a founder's commitment to the creation process. This study seeks to extend our understanding of the relationship between psychological ownership and commitment by empirically examining factors that influence the growth and development of both psychological ownership and firm commitment. More specifically, we attempt to identify what happens to psychological ownership and commitment when perceived uncertainty increases, performance falters, or entrepreneurial experience is lacking. We develop theory to explain when these factors will have the greatest impact on a founder's commitment to the new venture.

Method

Through survey methodology, we empirically examine the impact that psychological ownership has on new venture commitment and, subsequently, the moderating effects of perceived environmental uncertainty, market feedback, and past startup experience. We define market feedback as a composite score of firm size, sales, and total funding (Forbes et al., 2006). We also include measures of team homogeneity, gender, and relational ties to other team members to control for the influence that social factors have on a founder’s commitment to the venture.

Results and Implications

Our inquiry contributes to literature in several ways. First, we extend previous understanding of entrepreneurial commitment. Second, we empirically examine an entrepreneur's psychological ownership and demonstrate a clear distinction from their commitment. We also provide additional context to the phenomena of an entrepreneur's escalation of commitment. Our results indicate that a founder indeed demonstrates higher levels of commitment, despite reporting higher levels of environmental uncertainty. Last, our data indicate that entrepreneurs tend to report lower levels of commitment as their new venture receives positive market feedback.

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