TAKE RISK OR NOT TO TAKE RISK? A METHODOLOGICAL COMPARISON ABOUT THE ENTREPRENEURIAL RISK-TAKING-PERFORMANCE RELATIONSHIP (INTERACTIVE PAPER)

Carina Lomberg  
*University of Bern, Switzerland, carina.lomberg@imu.unibe.ch*

Artur Baldauf  
*University of Bern, Switzerland*

Recommended Citation  
Available at: https://digitalknowledge.babson.edu/fer/vol34/iss11/18

This Interactive Paper is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
TAKE RISK OR NOT TO TAKE RISK? A METHODOLOGICAL COMPARISON ABOUT THE ENTREPRENEURIAL RISK-TAKING-PERFORMANCE RELATIONSHIP

Carina Lomberg, University of Bern, Switzerland
Artur Baldauf, University of Bern, Switzerland

Principal Topic

The majority of research assumes that taking risks provides an advantage to firms. However more recently, scholars also acknowledged that risk-taking might be a ‘double-edged sword’, meaning that high levels of risk not only positively affect performance but also cause a higher likelihood of failure. Because we assume that deeper insights into the risk-taking-performance relationship can be gained by investigating intertwined mechanisms among internal and external characteristics of firms, we compare two methodological approaches.

Method

First, we investigate the role of risk-taking orientation within constructs such as environmental uncertainty, resource availability, competitive posture and export performance by surveying a sample of internationally operating firms in Switzerland (N=108). We analyze the role of risk-taking in a confirmatory contingency approach and apply SEM.

Second, we suppose that certain elements of structure, process, and environment form particular configurations and that different configurations may lead to high performance (equifinal paths) while other configurations may lead to low performance (causal asymmetry). To gain a deeper understanding of the orchestrating mechanisms, we analyze the effect of internal and external characteristics on export performance in an exploratory configurational approach using the same companies in a longitudinal design (N=44) and apply a qualitative comparative analysis (fsQCA).

Results and Implications

Whereas results from the contingency approach suggest that taking risks is always beneficial, results from the configurational approach suggest that risk-taking has not always positive effects on performance. On the contrary, taking high risks even has detrimental effects on performance—particularly when slack resources are absent.

Hence our studies provide a more fine-grained explanation about the relationship between risk-taking and performance by highlighting the existence of equifinal paths for achieving high performance. By explicitly considering configurations of causal conditions and asymmetry of set-theoretic relationships in addition to traditional linear methods, we identify a set of causal patterns associated with the presence/absence of high export performances. As the results reveal the conditions leading to high export performances are conceptually different from those found to be associated with low export performance, failing to consider causal asymmetry is likely to lead to incomplete or incorrect recommendations.

CONTACT: Carina Lomberg; carina.lomberg@imu.unibe.ch; (T): +41 316315369; University of Bern, Department of Management & Entrepreneurship, Engehalenstr. 4, 3012 Bern, Switzerland.