MEASURING PERCEIVED RISK: DEVELOPMENT AND VALIDATION OF AN ENTREPRENEURSHIP-SPECIFIC SCALE (SUMMARY)

Saulo Dubard Barbosa

EMLYON Business School, France, barbosa@em-lyon.com

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Summary

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Saulo Dubard Barbosa, EMLYON Business School, France

Principal Topic

Scale development is becoming more common in entrepreneurship research, but scholars in the field of entrepreneurship continue to use risk measures that were developed in other fields and for other purposes, relying often in one-dimensional single-item measures. This goes against theory and empirical evidence suggesting that entrepreneurial risk is multi-dimensional and that risk-taking is context- and domain-specific.

In this paper we report the development and validation of a multi-dimensional scale of entrepreneurial risk perception through three empirical studies.

Method

Participants were business students:
- in four universities in the United States (Study 1: N=447);
- across nine countries (Study 2: N=1357);
- in a French business school (Study 3: N=204).

In all studies, research protocol was based on a survey containing our risk perception measures and several other measurement instruments related to entrepreneurship. Study 1 contained our full initial scale, consisting of 23 items generated from previous research and pre-tested with five experts. In the subsequent studies, we kept and refined a short version of the scale.

Results and Implications

In study 1, factor analysis provided surprising results in that, although each risk dimension of our initial scale (overall, financial, personal, and social) seemed to constitute a distinct factor, within each factor items that were reversed would systematically load into two different factors. Thus, the resulting internal structure of the scale showed eight factors, four positively framed and four negatively framed. After several additional analyses, we concluded that negatively framed items were capturing the most common view of risk as threat, whereas positively framed items were tapping into the notion of risk as opportunity.

In study 2, using only 8 items measuring overall perceived risk, results again indicated the scale to be bi-dimensional.

In study 3, we refined these items and our analysis corroborated the bi-dimensionality of the scale for different entrepreneurial contexts (independent startup, corporate entrepreneurship, and social entrepreneurship).

In all studies results showed satisfactory internal reliability (with alphas ranging from .71 to .86) and consistent construct validity, with ‘risk as threat’ and ‘risk as opportunity’ being, respectively, negatively and positively associated with entrepreneurial intentions and motivations to engage in different forms of entrepreneurial action.

CONTACT: Saulo Dubard Barbosa; barbosa@em-lyon.com; (T): +33472184653; Department of Strategy and Organization, EMLYON Business School, 23 avenue Guy de Collongue, 69134 Ecully Cedex, France.