HOW ARE NEW VENTURES ABLE TO COPE EFFECTIVELY WITH UNCERTAINTY? (SUMMARY)

Keith M. Hmieleski

Texas Christian University, USA, k.hmieleski@tcu.edu

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HOW ARE NEW VENTURES ABLE TO COPE EFFECTIVELY WITH UNCERTAINTY?

Keith M. Hmieleski, Texas Christian University, USA

Principal Topic

Uncertainty can be both a potential source of opportunity and major stressor for entrepreneurs. The current study examines how new venture teams (NVTs) can maximize the benefits of uncertainty while minimizing its negative effects. Specifically, this research draws from the cognitive-relational theory of stress (Lazarus, 1991) to examine the moderating effects of shared humor and entrepreneurial team-efficacy within NVTs on the relationship between perceived environmental uncertainty and firm performance.

According to the cognitive-relational theory of stress, uncertainty is considered to be one of the most salient stressors faced by individuals and teams, particularly in situations where the stakes are high—such as in the development of new ventures (Baron, 1998). Two types of resources that are most effective for coping with such stressors are ones that promote feelings of positive affect (such as shared humor; Avolio et al., 1999) and ones that characterize a sense of domain-specific confidence (such as entrepreneurial team-efficacy; Stajkovic et al., 2009). Following this logic, it is predicted that shared humor and entrepreneurial team-efficacy will jointly moderate the relationship between environmental uncertainty and firm performance.

Method

Surveys were sent to a national (USA) random sample of new ventures. Using a key informant procedure, CEOs of responding startups provided ratings about their NVTs and firms. Shared humor was measured with items adapted from Avolio et al. (1999), entrepreneurial team-efficacy was measured with items adapted from De Noble et al. (1999), and perceived environmental uncertainty was measured using items from Miller and Freisen (1982). Firm performance was measured as the amount of annual revenue per number of employees. Hierarchical moderated regression was used to examine the study hypotheses (Cohen et al., 2003).

Results and Implications

Results support the proposed model. Shared humor and entrepreneurial team-efficacy each had a significant moderating effect on the relationship between environmental uncertainty and firm performance. Moreover, shared humor and entrepreneurial team-efficacy exhibited a joint interaction effect, such that the relationship between environmental uncertainty and firm performance was most positive when NVTs exhibited high levels of shared humor and entrepreneurial team-efficacy. Thus, it appears that shared humor and entrepreneurial team-efficacy are each important resources for NVTs operating under high environmental uncertainty.

CONTACT: Keith Hmieleski, k.hmieleski@tcu.edu; (T) 817.257.7280; (F) 817.257.7227; M. J. Neeley School of Business, TCU Box 298530, Fort Worth, TX 76129.