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BUSINESS START-UP, BURN-OUT AND START-UP SUCCESS

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ABSTRACT

We draw on the Job Demand-Control Model to examine antecedents and consequences of burn-out in the start-up context. The sample consists of 761 Austrian start-up entrepreneurs. Our results indicate that the start-up entrepreneurs’ highly demanding working conditions and their pessimistic expectations regarding the short to mid-term economic development are positively related to their burn-out symptoms. Further, we find the start-up entrepreneurs’ burn-out to threaten both the operational and financial success of their new venture. However, our results do not support the hypothesis that control – specifically work-related patterns of behavior and experience – weakens the relationship between high demands and burn-out. These findings contribute to entrepreneurship research by highlighting the critical role of health-related issues in the start-up context.

INTRODUCTION

Entrepreneurship is an attractive context in which to study the antecedents and consequences of burn-out as an outcome of chronic stress. Entrepreneurs certainly face high demands. For example, entrepreneurs are usually confronted with long working hours (Bradley & Roberts, 2004; Patzelt & Shepherd, 2011), high time pressure (Akande, 1992), role conflicts, and ambiguity (Eden, 1975; Jamal, 1997; Shepherd, Marchisio, Morrish, Deacon & Miles, 2010; Wincent, Örtqvist & Drnovsek, 2008). In contrast to employees or managers, however, entrepreneurs are not working in established organizations in which rules and supervisors impose high demands. Rather, the entrepreneurs impose demands on themselves by choosing the entrepreneurial role and by developing an emerging organization in a chosen environment. Thereby, and first of all, the entrepreneurs’ own decisions cause the high demands that might lead to psychophysiological complaints, which in turn might not only affect the entrepreneur but also have dramatic consequences for the firm.

However, high demands do not always lead to burn-out. Only if the individual perceives the demands imposed on him/her not to be matched by his/her freedom to decide about how to manage them will he/she be stressed and consequently develop burn-out symptoms (Karasek, 1979). Entrepreneurs generally have more decision-making freedom in their work, as compared to employees working in an established organization. This control might buffer them against the consequences of high demands. Thus, the impact of high demands on the entrepreneur’s burn-out might not be straightforward but dependent on manifold intervening variables. These contingencies might explain the heterogeneity of empirical results: While some studies have indicated that entrepreneurs are especially affected by work-related stress and burn-out (e.g. Buttner, 1992; Jamal, 1997; Jamal & Badawi, 1995), others have found no such particularities (Naughton, 1987) or have found even lower levels of stress among entrepreneurs than
other groups of the working population (e.g. Baron, Franklin, & Hmieleski, 2016; Prottas & Thompson, 2006; Rahim, 1996; Stephan & Roesler, 2010).

In addition, both demands and resources change over time, which may result in different entrepreneurial challenges over the course of the entrepreneurial process, and therefore varying burn-out symptoms in different phases. As Cardon and Patel (2015, p. 405) put it, the “[…] entrepreneurial process is like a rollercoaster that one is trying to control while on it, suggesting that there are periods of high pressure and stress, but also periods that are slower and more stable and predictable.” For example, the challenges associated with the start-up phase of the business include the proactive engaging in opportunity seeking and opportunity exploitation that leverages innovation. As such, these start-up demands require entrepreneurs to cope with high levels of uncertainty (Patzelt & Shepherd, 2011; Stevenson & Gumpert, 1985) as well as limited access to resources (Aldrich, 1994). Thus, start-up entrepreneurs might experience particularly strong stress reactions such as burn-out. One result of their burn-out can be a distinct decrease in performance (Maslach, 1982), which might endanger their start-up's success. To shed light on this threat, it is crucial to explore the (1) antecedents of burn-out (and thus why some start-up entrepreneurs develop burn-out symptoms while others do not), and the (2) consequences of burn-out among entrepreneurs in the start-up phase. Thus, the aim of the present study is to extend previous research on entrepreneurial stress that has mainly focused on comparing stress levels of established entrepreneurs with other populations by examining the interplay of start-up conditions, burn-out and start-up success.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Burn-out is a colloquial term for manifold ills related to exhaustion (Unger, 2007). In medicine, Maslach (1982) presented an operational definition of the burn-out syndrome consisting of three dimensions: emotional exhaustion, depersonalization (or cynicism), and reduced gratification (or professional efficacy). Pathological burn-out occurs if the current task and requirement profile exceeds the previous performance profile quantitatively and qualitatively (Berger, Schneller & Maier, 2012) – as it might be especially the case when starting a business (Wincent et al., 2008).

A relevant model grounded in empirical evidence that can be used to analyze the emergence of start-up entrepreneurs’ burn-out symptoms includes the JD-C Model (Karasek, 1979). Its basic assumption postulates that stress stems from the interaction between job demands and control. Job demands refer to the work intensity – such as workload demands, conflicts, and other stressors – that is experienced. Control (or discretion, as is used by Karasek as a synonym for control) refers to the perceived ability to cope with those demands. According to the model of Karasek (1979), there will be interactive effects of demands, including highly demanding working conditions and pessimistic expectations regarding the economic development, and control (work-related patterns of behavior and experience) on stress levels. Specifically, the combination of high demands and low control leads to a deterioration of well-being (Jonge, Bosma, Peter & Siegrist, 2000) and the emergence of burn-out symptoms (Demerouti et al., 2001).

First of all, the working conditions during the start-up phase can be the source of demands that lead to the emergence of burn-out symptoms. As “a small business is not a little big business” (Welsh & White, 1981), working conditions in start-up businesses are far from being trivial. In the start-up phase, entrepreneurs find themselves in a situation characterized by liabilities of smallness and newness (Aldrich, 1994). Specifically, the working conditions of start-up entrepreneurs are characterized by a high and diverse workload, a lack of resources, social support and feedback, and restricted control possibilities (Patzelt & Shepherd, 2011; Shepherd et al., 2010) – conditions that are prone to breed burn-
out (Bakker, Demerouti & Verbeke, 2004). With regard to burn-out, these working conditions describe high psychological demands that affect the start-up entrepreneurs’ levels of emotional exhaustion, cynicism, and reduced gratification and include tasks, resources, stressors, and organizational climate. We hypothesize:

_Hypothesis 1. The highly demanding working conditions experienced by the start-up entrepreneurs are positively related to their burn-out symptoms._

Furthermore, another demand of start-up entrepreneurs is associated with the general economic situation. The development of economies has been shown to be non-linear and to a certain extent fluctuating (Mankiw, 1989). Since the dramatic downturn in 2008 following the breakdown of major players in the financial markets, the economy in most developed countries has been slow to take up impetus again, and forecasts refer to the threat that a new downturn might occur in the near-to-mid-term future. Since the general economic development partly determines the economic potential of any given business model, and thus the risk for any start-up, the demands perceived by the entrepreneur are to a large extent dependent on predictions about the economic development in the near to medium term (Fairlie, 2013). Specifically, the start-up entrepreneurs’ pessimistic expectations regarding the future economic development can lead to a perceived lack of ability to retain invested resources, thus constituting a highly demanding start-up condition. Therefore, we expect the start-up entrepreneurs’ pessimistic expectations regarding the development of the economy in the near-to-mid-term future to be a demand related to burn-out.

_Hypothesis 2. The pessimistic expectations of the start-up entrepreneurs regarding the general economic development in the near to medium term are positively related to their burn-out symptoms._

However, highly demanding working conditions and negative predictions about the general economic development do not always lead to burn-out. Only if the individual perceives the demands imposed on him/her not to be matched by his/her ability to cope with them will he/she be stressed and consequently develop burn-out symptoms. For example, the demand of being forced to make decisions that are critical to the start-up’s success under conditions of high uncertainty might be matched by the value entrepreneurs place on having high decision-making autonomy (Jamal, 2007). By displaying functional work-related patterns of behavior and experience (Schaarschmidt & Fischer, 2003), such entrepreneurs enjoy the challenge and power of autonomous decision making and feel personally rewarded by their start-ups’ success rather than reacting with burn-out (Prottas & Thompson, 2006; Boyd & Gumpert, 1983). Other types of entrepreneurs, however, might experience, for example, a lack of control in situations of role conflict, in which those with a vested interest in the entrepreneurs’ performance (e.g. team members, customers, employees, creditors, or family members) make conflicting managerial and social demands on them (Sulsky & Smith, 2005), or if being confronted with negative predictions about the general economic development. Such a joint effect of perceived high demands and low control can lead to stress reactions such as burnout (Shepherd et al., 2010). Control can be conceptualized as work-related patterns of behavior and experience that assess personal resources helping to cope with demands and positively affecting the working conditions as well as the predications about the general economic development (Schaarschmidt & Fischer, 2003). Thus, and in line with Cardon and Patel (2015), we argue that the heterogeneity of entrepreneurs, in terms of their work-related patterns of behavior and experience (or perceived control), needs to be taken into account in examining the interplay of demands and burn-out in the start-up context.
Hypothesis 3. The positive relationship between highly demanding working conditions and burn-out symptoms is weaker for start-up entrepreneurs displaying functional work-related patterns of behavior and experience.

Hypothesis 4. The positive relationship between pessimistic expectations regarding short-term economic development and burn-out symptoms is weaker for start-up entrepreneurs displaying functional work-related patterns of behavior and experience.

One result of the entrepreneurs’ burn-out can be a distinct decrease in performance (Maslach, 1982), which can endanger start-up success (Wincent et al., 2008). According to Maslach’s concept (1979), burnout is characterized by the loss of interest in and feelings of frustration with work, paired with the feeling of being exploited and insufficiently acknowledged at work (exhaustion), an insensitive, indifferent or cynical attitude towards clients, employees and other stakeholders (cynicism), and feelings of a lack of competence and an increasing inability to cope with one's workload (inefficacy relating to work). Given that the effect of the entrepreneurs’ individual performance on firm performance is likely to be greater than that of salaried employees (Morrison, 1997) and even more so in the start-up phase when the number of employees is low, stress reactions such as burn-out can be expected to impair start-up success. This is especially the case when burn-out reduces the capacities for self-regulation necessary for task execution and goal attainment. Moreover, start-up entrepreneurs might lack knowledge about the most effective behavior if the work-related demands are too high for them, resulting in inefficient and misdirected behavior (Jackson & Schuler, 1985). Inefficient behavior and task execution negatively affect task accomplishment and, thereby, reduce start-up success. Therefore, we formulate the following hypothesis:

Hypothesis 5. The start-up entrepreneurs’ burn-out symptoms are negatively related to the success of their start-up.

METHOD

Data and Sample Description

The whole population of 9,674 entrepreneurs, who have started a business in Austria in 2014 for the first time in their lives, was selected for data collection in early 2015. This ensured that the participants were in similar start-up phases because, at the time of data collection, the businesses had been in operation for a maximum of one year. The postal paper-and-pencil survey was complemented by two rounds of e-mail reminders and one wave of telephone reminders. These efforts resulted in 761 responses. Due to missing values, the usable sample for the analysis is reduced to samples comprising between 415 and 458 cases.

The captured cases comprise start-up entrepreneurs across all industries and regions of Austria. Nearly half of the respondents hold a degree from a university. About 10 percent of the respondents are single, a third lives with a partner and the rest is married. Over half of the respondents do not live in a household with kids.

Operationalization

The start-up entrepreneurs’ working conditions were measured using the validated 26-items scale KFZA (Pruemper et al., 1995; Pruemper, 2010); Cronbach’s α=.819. The entrepreneurs’ expectations regarding the general economic development in the near to medium term of the country in which they operate were captured on a Likert-type scale ranging from “much worse” to “much better” (as compared
to the country's current economic situation. The work-related patterns of behavior and experience were measured by the 44-items scale AVEM (Schaarschmidt & Fischer, 2003); Cronbach's α=.826. The burn-out symptoms were identified by using the 16-items Maslach Burn-Out Inventory–General Survey (MBI; Schaufeli, Leiter, Maslach & Jackson, 1996); Cronbach's α=.772. Start-up success was assessed by asking the entrepreneurs to report the importance and the satisfaction regarding sales/revenue/headcount growth, net profit margin (financial performance), product/service/process innovation, adoption of new technology, product and service quality/variety, and customer satisfaction (operational performance) (Wiklund & Shepherd, 2003). As control variables, we chose educational level, family status and kids in the household. To avoid issues of multicollinearity, the explanatory variables were mean-centered.

RESULTS

We performed hierarchical linear regression to test our hypotheses. In the first step regressing the control variables against the MBI (burn-out symptoms), we find start-up entrepreneurs who maintain less formal relationships (e.g., singles) to be suffering from stronger burn-out symptoms (β=.109, p=.032), with the model (n=415; adj. R²=.013) being significant on the 5%-level. By adding the independent variables KFZA (working conditions) and subjective economic forecast to the model (delta R²=.373; p=.000), the matrimonial status loses significance. We find the start-up entrepreneurs’ highly demanding working conditions (β=.576, p=.000) and their pessimistic expectations regarding the economic development (β=.118, p=.003) to be significantly related to their burn-out symptoms. These findings support H1 and H2.

In the next step, we added the AVEM (control; work-related patterns of behavior and experience) as moderator to the model. While the model remains significant (p=.000), it gains minimal explanatory power, with the change in the F-value not being significant. The direct effects remain, but we find neither the link between highly demanding working conditions and burn-out (β=.000, p=.997) nor the relation between pessimistic economic expectations and burn-out (β=-.070, p=.080) to be affected by work-related patterns. H3 and H4 cannot be corroborated.

Turning the attention to operational start-up success, the model (n=457) including the controls is significant on the 5%-level, explaining 1.3 percent of the variance. The maintaining of a more formal relationship (e.g., being married) enhances operational start-up success (β=.129, p=.007). Adding the independent variable MBI to the model significantly enhances the explanatory power to an adj. R² of .085. In this step, we find higher education to be negatively (β=-.083, p=.065) and matrimonial status to be positively (β=.089, p=.059) related to operational start-up success. Burn-out shows a negative relation with operational start-up success (β=-.070, p=.080). Turning the attention to financial start-up success, the model (n=458) including the controls is significant on the 5%-level, explaining 2.5 percent of the variance. Maintaining a more formal relationship enhances financial start-up success (β=.118, p=.013), while higher education is negatively related to financial start-up success (β=-.122, p=.009). Adding the independent variable burn-out to the model significantly enhances the explanatory power to an adj. R² of .079. In this step, the negative effect of higher education (β=-.138, p=.002) and the positive effect of matrimonial status (β=.087, p=.063) remain significant. Burn-out shows a negative relation with financial start-up success (β=-.238, p=.000). This finding supports H5.

DISCUSSION

Given that starting a business impacts on the health-related quality of life of entrepreneurs (Volery & Pullich, 2010), we were motivated to conduct this research to better understand the factors related to the development of burn-out symptoms as well as the consequences of burn-out in the start-up
ENTREPRENEURIAL MOTIVATIONS

context. Drawing on Karasek’s (1979) Job Demand-Control Model, we expected the entrepreneurs’ high demands to be related to burn-out and that this relationship depends on control (work-related patterns of behavior and experience). Our results support the assumptions that high demands, including highly demanding working conditions and pessimistic expectations regarding the short to mid-term economic development, are related to burn-out in the start-up context. However, we found no support for the control component of the JD-C Model. Specifically, work-related patterns of behavior and experience did not interact with demands in predicting burn-out in the start-up context. Finally, our results reveal that entrepreneurial burn-out reduces start-up success.

We believe that our results contribute to entrepreneurship research and practice in three ways. First, our results contribute to the literature predicting exhaustion, lack of enthusiasm and motivation in entrepreneurs. Our results actually reveal that Karasek’s (1979) JD-C Model does not work well in the context of start-up entrepreneurs; specifically, control does not reduce the positive relationship between high demands and burn-out. One explanation could be that all start-up entrepreneurs experience relatively high control and that this is reducing the variance in that dimension. Alternatively, stressor-strain-outcome models (Koeske & Koeske, 1993) might be better suited to explain the antecedents and consequences of burn-out in the start-up context. Second, our study contributes to the literature on new venture success. This literature predominantly investigates factors that positively affect firm performance. More recently, entrepreneurship research started to look at factors that actually reduce start-up success (Hisrich, Langan-Fox & Grant, 2007). In this regard, our research reveals that burn-out is one of the predictors that considerably reduce the chances of success. Finally, on a practical level, identifying triggering factors for burn-out symptoms in the start-up phase contributes towards the development of sustainable and focused prevention strategies, which in turn could improve the emotional well-being for those directly affected and their social and professional environment. Our results particularly suggest that start-up entrepreneurs should reduce psychological demands as much as possible, for example, by increasing task identity, resources, reducing work-related stressors, and by implementing a supportive organizational climate. Such strategies could lead not only to a reduction in health expenditure and follow-up costs, but also improve the long-term realization of economic potential such as innovation, wealth and competitiveness through start-ups.

Our results have to be interpreted with regards to the study’s limitations. Due to our cross-sectional design, we cannot draw causal inferences, thus leading to problems of reversed causality. For example, low start-up performance could very well be a predictor of burn-out rather than a consequence of burn-out, as postulated by the conservation of resources theory (Hobfoll, 1989). At the same time, there is ample evidence in organizational behavior research indicating that burn-out is as a predictor of performance (Shepherd et al., 2010; Bakker et al., 2004). In addition, the cross-sectional design does not allow to examine the processes occurring within the development of burn-out. Burn-out develops over time and the consequences of burn-out might also accumulate over time. Therefore, the relationship between start-up success and burn-out might actually be stronger than the effects identified in the present study. Another limitation is the common-method variance issue inherent in the present study. While we cannot rule out that our results suffer from this issue, we used well-validated instruments that have been shown to predict outcomes in other research contexts.

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