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FOUNDER'S PSYCHOLOGICAL OWNERSHIP AND ITS IMPACT ON NEW VENTURE GROWTH AND PERFORMANCE

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Principal Topic

Entrepreneurs often develop such strong feelings towards their entrepreneurial pursuits that they exhibit a parental, protective attitude towards the venture that they come to view as “their baby”. This possessiveness indicates a deeper characteristic of psychological ownership which is defined as the condition where an individual develops and displays strong feelings and thoughts of ownership over an object (regardless of the actual level of legal ownership). These feelings generate an intense sense of commitment and protectiveness towards the venture, but high levels of psychological ownership may engender problems such as greater resistance to change and an unwillingness to cooperate with others, which could hinder business growth. We hypothesize that higher psychological ownership among founders will be associated with less use of external resources, greater human resource homogeneity, lower decision comprehensiveness, faster decision speed, and lower short-term marginal costs.

Method

We examine these questions by sampling 182 entrepreneurs in the field using a dynamic longitudinal design. We survey these entrepreneurs at two different points in time, four months apart, using established scales for psychological ownership, usage of resources, and decision speed and comprehensiveness. At the time this document was prepared, longitudinal data collection was not yet complete. All results displayed are shown for the first wave of data collection only. All results were analyzed using hierarchical linear regression.

Results and Implications

Our findings demonstrate that controlling for gender, education, age, and experience, higher levels of psychological ownership are related to significantly greater human resource homogeneity ($\beta = 0.077, p < 0.05$). Analysis of other dependent variables is ongoing. This paper makes a unique contribution to both the entrepreneurship and psychological ownership literatures. While most empirical studies have examined psychological ownership among employees of a company (where decision-making authority is limited), our study identifies how the level of psychological ownership among founders impacts their organizing, resource management and decision making activities. This is the first study of its kind to examine the influence of psychological ownership on entrepreneurs as well as firm-level outcomes in a longitudinal design.

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