ENTREPRENEURIAL UNCERTAINTY: WHAT DO STAKEHOLDERS LOOK FOR? (SUMMARY)

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Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol29/iss7/4

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SUMMARY

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Principal Topic

When commercializing new products or services, entrepreneurs are attempting to build a stakeholder network of customers, suppliers, employees, financiers, etc. To persuade others to engage with them, entrepreneurs make a value proposition to each prospective stakeholder that promises more utility than the stakeholder’s next best alternative. One of the challenges entrepreneurs face at this stage is addressing the uncertainty of those potential stakeholders regarding such issues as technological feasibility, product market demand, and rent distribution.

As entrepreneurs first engage with potential stakeholders they are sending cues that can influence stakeholders’ perceptions regarding the uncertainty of the venture. Desirable stakeholders in this context are those who have the resources and ability to assist the firm in its efforts to create entrepreneurial rent. Desirable stakeholders also exhibit a tendency for fair or just treatment of their exchange partners.

This paper proposes that in the early stages of a venture entrepreneurs can reduce uncertainty for stakeholders – and raise the probability of attracting desirable stakeholders – by exhibiting behaviors associated with fairness and justice. Actors base their reciprocal behaviors – both positive and negative – on their subjective perceptions of distributive, procedural and interactional justice. Thus, entrepreneurs can influence perceptions of fairness in early interactions with stakeholders.

This paper extends the logic of reciprocity and fairness to the setting in which entrepreneurial firms are seeking to attract desirable stakeholders in order to commercialize innovations.

Method

P1: Entrepreneurs can influence perceptions of fairness through the nature of their conduct in early interactions with stakeholders.
P2: Potential stakeholders are more likely to engage with entrepreneurial firms if they perceive high levels of fairness.
P3: The success of entrepreneurial ventures (i.e., growth, profitability) will be associated with the perceived levels of fairness among the firm’s early stakeholders.

Results and Implications

Creating entrepreneurial rent requires the involvement of stakeholders. Securing stakeholders’ involvement, however, presents a challenge for entrepreneurs due to the uncertainty that characterizes the early stages of a new venture. This paper develops a novel explanation of how entrepreneurs’ actions influence – and are influenced by – potential stakeholders. The explanation builds on the most basic human norm of reciprocity. Provocative questions for future research on entrepreneurial behavior will be identified.

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