RECIPROCITY AND ENTREPRENEURIAL BEHAVIOR: MORE SURVEY EVIDENCE (INTERACTIVE PAPER)

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Principal Topic
A large body of experimental evidence documents the tendency for individuals to be positively reciprocal, rewarding kind actions by others, or be negatively reciprocal, punishing others for unkind actions, even when these reciprocal actions are costly or contrary to own material interest (see e.g. Fehr and Gächter, 2002 for an overview of literature). However, to the best of my knowledge there is very little evidence from large surveys how negative and positive reciprocity effects entrepreneurial behaviour (Caliendo, Fossen & Kritikos, 2011). Thus, I further investigate how reciprocal behaviour affects entrepreneurial activity, i.e. I use individual measures of reciprocal inclinations in a large, representative survey and relate reciprocity to the propensity as well as the probability to become an entrepreneur.

Method
I employ data from the German Socio-Economic Panel Study (GSOEP), the largest representative longitudinal panel study of private households in Germany. I make use of the survey wave of 2005 because it contains a special block of questions about positive and negative reciprocity. I restrict my sample to full-and part-time employees who work in the private sector in 2005. I then study how positive and negative reciprocity – in addition to a conventional set of control variables (e.g. tenure, education, job satisfaction, firm size, age, gender industrial sectors etc.) – affects latent entrepreneurship. Additionally, I make use of the survey waves of 2006 and 2007, to analyze how reciprocity in 2005 causes these employees actually switch into self-employment in the following 24 month.

In contrast to Caliendo, Fossen and Kritikos (2011), I find that reciprocity has strong impact on entrepreneurial activity (i.e. the propensity and the probability to become an entrepreneur). I find that positive reciprocity is only weakly correlated with entrepreneurial activity, while negatively reciprocal inclinations tend to increase the propensity as well as the probability of employees to become self-employed. Yet, this effect turns negative for very high values of negatively reciprocal inclinations.

Results and Implications
In sum, my study provides first evidence, that reciprocal behaviour affects entrepreneurial activity. Modest negative reciprocity enhances entrepreneurial activity while strong negative reciprocity hinders it. I believe this is due to the high costs associated with strong negative reciprocity. (Potential) entrepreneurs with modest negative reciprocal inclinations, by contrast, have lower punishing costs while still threatening to sanction unfair or uncooperative treatments may be a strategic advantage in bargaining in social interactions in general.

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