RICH ENTREPRENEURS: USING THE RESOURCE-INDUCED COPING HEURISTIC TO PREDICT ENTREPRENEURIAL SUCCESS (SUMMARY)

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Principal Topic

This study serves to test the resource-induced coping heuristic (RICH) for predictive capabilities regarding entrepreneurial success. For the purposes of this investigation, entrepreneurial success was represented by three separate indicators: financial performance, perceived entrepreneurial success, and venture longevity. The RICH measures individuals’ disposition toward the principles of resource conservation (Lanivich, 2011). COR theory suggests resource conservation ensues when environmental interaction prompts the attainment, protection, and development of objects, energies, characteristics, and conditions for coping purposes (Hobfoll, 2001). However, unlike managers of organizations with pre-determined sets of resources to look out for, entrepreneur’s encounter things in their environment that cannot instantly be processed as useful or valuable for coping, or otherwise.

Method

This study surveyed 233 business founders in the opportunity exploitation phase of their entrepreneurial process. The hypothesized validity of the RICH as a predictor of entrepreneurial success was tested using a three-step hierarchical regression approach. First, demographic variables (i.e., age, gender, education level, and ethnicity) were entered into the regression equation. Second, the commonly utilized predictors of entrepreneurial success (i.e., entrepreneurial self-efficacy, prior entrepreneurial experience, number of founders, and industry-relevant experience) were entered into the regression equation. Lastly, the RICH was entered into the regression equation (Cortina, Goldstein, Payne, Davison, & Gilliland, 2000). Predictive validity is confirmed when a significant ($p < .01$) change in $R^2$ occurs between step two and step three (Hunter & Schmidt, 1998). This process was repeated for all three indicators (i.e., financial performance, perceived entrepreneurial success, and venture longevity) of entrepreneurial success.

Results and Implications

Results of the analysis confirm predictive validity of the RICH for entrepreneurial success in two of three indicators, including: financial performance and perceived entrepreneurial success. Also, the RICH was found to be a stronger predictor of financial performance and perceived entrepreneurial success than many commonly assessed variables, including entrepreneurial self-efficacy, prior entrepreneurial experience, number of founders, and industry-relevant experience.

Due to the nature of entrepreneurship, entrepreneurs are frequently exposed to overload (e.g., performing many roles, such as: accountant, manager, laborer, etc.), uncertainty, high emotion (e.g., expressing passion toward venture outcomes), and time pressures (e.g., meeting strict deadlines, such as loan payments). Such situations test the limits of their cognitive capacities, thus increasing the entrepreneur’s susceptibility to folly and failure (Baron, 1998). This study contributes to extricating the pitfalls of cognitive coping mechanisms so that they may be exploited by entrepreneurs in their pursuit of success.

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