MEANS VERSUS GOALS: THE MODERATING ROLE OF OPPORTUNITY BELIEF ON THE CENTRAL FOCUS OF ENTREPRENEURIAL DECISION-MAKING (SUMMARY)

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MEANS VERSUS GOALS: THE MODERATING ROLE OF OPPORTUNITY BELIEF ON THE CENTRAL FOCUS OF ENTREPRENEURIAL DECISION-MAKING

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Principal Topic

This study investigates new venture teams concerning the performance impact of a core component of entrepreneurial decision-making: an orientation to available means rather than to predetermined goals.

We argue that ventures whose entrepreneurial teams adopt a means orientation logic fulfill several conditions identified by the resource-based view that help attain higher performance. We then propose that the effects of such logic vary with two characteristics of the venture team: 1) the beliefs that the team holds about the opportunity it faces; and 2) the control activities undertaken by the entrepreneurial team. Specifically, we argue that a strong opportunity recognition belief, i.e. the belief that a set of ideas and conditions of things are favorable to the achievement of possible valuable ends, makes a focus on extant means less valuable. We also argue that intrusive control of the behavior of organizational members negates certain advantages of effectuation, such as the adaptability that is built into fuzzy goals, while duplicating the control function that a focus on means already performs.

Method

We test our claims with longitudinal data on 147 Dutch ventures, drawn from a setting that enables controlling for many confounding influences, while retaining most of the traits of real-life entrepreneurial ventures. We apply moderated regressions to estimate models of performance.

Results and Implications

The evidence we find generally supports our arguments. Thus, this study extends the literature on effectuation by providing theoretical arguments, and large-sample evidence of the beneficial performance consequences of one of its key tenets, as well as its boundary conditions. By highlighting that the application of a key effectual heuristic to new ventures run by novice entrepreneurs generally brings about favorable performance consequences, we help establish effectuation as a valuable analytic strategy that can be adopted also by novice entrepreneurs.

We also add to entrepreneurship research in general by highlighting how the value of this type of rational heuristics is contingent on opportunity recognition belief, an emerging construct in the field. Further, we demonstrate the importance of the fit between the entrepreneurial decision-making approach and the managerial activities that are performed in emerging firms.

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