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DOING WELL BY BEING WELL: THE INTERPLAY OF PHYSICAL WELL-BEING, BURN-OUT SYMPTOMS AND FIRM PERFORMANCE OF NECESSITY-, RATIONALITY- AND OPPORTUNITY-DRIVEN ENTREPRENEURS

Isabella Hatak
WU Vienna University of Economics and Business, Austria, isabella.hatak@wu.ac.at

Andreas Rauch
University of Groningen, The Netherlands

Matthias Fink
Johannes Kepler University Linz, Austria

Andreas Baranyi
Medical University of Graz, Austria

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DOING WELL BY BEING WELL: THE INTERPLAY OF PHYSICAL WELL-BEING, BURN-OUT SYMPTOMS AND FIRM PERFORMANCE OF NECESSITY-, RATIONALITY- AND OPPORTUNITY-DRIVEN ENTREPRENEURS

Isabella Hatak, WU Vienna University of Economics and Business, Austria
Andreas Rauch, University of Groningen, The Netherlands
Matthias Fink, Johannes Kepler University Linz, Austria
Andreas Baranyi, Medical University of Graz, Austria

Abstract

We draw on the Effort-Reward-Imbalance (ERI) Model to examine factors related to the development of burn-out symptoms as well as the consequences of burn-out. Our sample consists of 168 small and newly founded business ventures. Our results indicate that physical well-being is negatively related to the development of burn-out symptoms. Moreover, burn-out is negatively related to operational performance. Finally, we found some indication of the type of entrepreneur affecting both the relationship between physical well-being and burn-out, and between burn-out and operational performance. Specifically, we found higher correlations among necessity- and opportunity-driven entrepreneurs as compared to rationality-driven entrepreneurs.

Introduction

The reasons for starting up a business are highly diverse: Entrepreneurs aim at realizing a vision, are motivated by financial gains, or are simply pushed into entrepreneurship (Shane, Locke & Collins, 2003; Hisrich, 1985). Yet, the realization of these diverse entrepreneurial goals depends – aside from market-related factors – to a large extent on the entrepreneurs’ dispositions, expectations and perceptions (Rauch & Frese, 2007; Fritsch & Mueller, 2004). In fact, seizing entrepreneurial opportunities requires the entrepreneurs to not only contribute mentally, but also expend physical effort. Such high levels of engagement, in combination with the uncertainties associated with entrepreneurship, can impact negatively on entrepreneurs’ physical well-being and health-related quality of life (Wincent & Örtqvist, 2011), leading to the development of burn-out symptoms.

Although the balance of empirical evidence suggests that owning and running a business impacts on the health-related quality of life of entrepreneurs (see Volery & Pullich, 2010), prior research into health-related issues around entrepreneurship does neither account for the heterogeneity of objectives of entrepreneurs, nor for the performance effect of health-related issues among different types of entrepreneurs. Thus, the aim of the present study is to compare the physical well-being and the emergence of burn-out symptoms among different types of entrepreneurs and their nuanced impact on firm performance.

More specifically, we argue that the perceptions of entrepreneurs regarding their own performance and their compensation depend on the objectives that motivated them to start their business. In fact, owing to their different objectives and the associated differences in the efforts they make, necessity-driven, rationality-driven and opportunity-driven entrepreneurs are expected to experience different demands and challenges. Consequently, the type of entrepreneur
is also expected to influence the entrepreneurs’ well-being and therefore the emergence of burn-out symptoms, with burn-out making a nuanced impact on the performance of the entrepreneurs’ firms. Against this background, the following research questions will be pursued within the present study: 1) How does the physical well-being of necessity-driven, rationality-driven and opportunity-driven entrepreneurs impact on the emergence of burn-out symptoms? 2) How do the burn-out symptoms of necessity-driven, rationality-driven and opportunity-driven entrepreneurs impact on their firms’ financial and operational performance?

The hypothesis development draws upon the Effort-Reward-Imbalance (ERI) Model of Siegrist (1996, 2005) and its previous application in burn-out research (Bakker, Killmer, Siegrist & Schaufeli, 2000; Jonge, Bosma, Peter & Siegrist, 2000). The empirical analysis is based on data from 168 Dutch entrepreneurs. Regression analysis reveals that physical well-being is associated with the development of burn-out symptoms. Moreover, burn-out is negatively related to operational performance. Finally, we found some indication of the type of entrepreneur affecting both the relationship between physical well-being and burn-out, and between burn-out and operational performance. Specifically, we found higher correlations among necessity- and opportunity-driven entrepreneurs as compared to rationality-driven entrepreneurs.

Our research contributes to both entrepreneurship theory and practice. First, the principal contribution of our study is a nuanced analysis of triggering factors and economic consequences of entrepreneurs’ burn-out symptoms by distinguishing between different types of entrepreneurs. Second, the results of this study make a contribution to research on entrepreneurial success factors, in which health-related issues such as burn-out have received limited attention so far. Practically, identifying triggering factors for burn-out symptoms of different types of entrepreneurs allows focusing efforts more effectively and efficiently on the development of sustainable prevention strategies. Such specific strategies could improve not only the well-being of the entrepreneurs, including a better health-related quality of life, which may go along with a reduction in health expenditure, but also the long-term realization of economic potential such as innovation, wealth and competitiveness.

**Theoretical Background and Hypotheses Development**

While, in everyday language, burn-out is a colloquial term for manifold ills related to exhaustion (Unger, 2007), in medicine, Maslach (1982) presented an operational definition of the burn-out syndrome consisting of three dimensions: emotional exhaustion, depersonalization (or cynism), and reduced gratification (or professional efficacy). Symptoms of the burn-out syndrome (burn-out symptoms) often show up as indifferent reactions towards others (Schaufeli, Leiter, Maslach & Jackson, 1996). Pathological burn-out occurs if the current task and requirement profile exceeds the previous performance profile quantitatively and qualitatively (Berger, Schneller & Maier, 2012) – as is often the case when running a business.

A relevant model grounded in empirical evidence that can be used to analyze the emergence of entrepreneurs’ burn-out symptoms includes the ERI Model of Siegrist (1996, 2005). Its basic assumption postulates an imbalance between high performance or a perception of performing above one’s limits and the perception of inadequate reward (both in the material sense and in the emotional sense in the form of recognition and status) on the basis of social reciprocity. Such an effort-reward imbalance can lead to a deterioration of well-being (Jonge et al., 2000) and the emergence of burn-out symptoms (Bakker et al., 2000). More specifically, the ERI Model distinguishes explicitly between extrinsic (situational) and intrinsic (personal) dimensions of effort-reward imbalance. Extrinsic dimensions comprise efforts such as psychological and
physical demands at work, as well as money, esteem (e.g. respect and support) and status control opportunities as occupational rewards. With regard to intrinsic dimensions, overcommitment is introduced as a specific pattern of handling job demands and of eliciting rewards. It is understood as “a set of attitudes, behaviors and emotions reflecting excessive striving in combination with a strong desire of being approved and esteemed” (Jonge et al., 2000, p. 1318). Due to perceptual distortion (e.g. underestimation of challenge), which may be triggered by an underlying motivation of experiencing esteem and approval, overcommitted individuals tend to exaggerate their efforts (Siegrist, 1996). Consequently, they have higher risks of poor well-being and burn-out due to a high effort—low reward mismatch (Jonge et al., 2000).

However, given that not all entrepreneurs tend to be overcommitted, but rather constitute a highly heterogeneous group of individuals (Shepherd, Williams & Patzelt, 2014; Gartner, 1985), their different objectives must be considered if we wish to better comprehend the interplay of physical well-being, burn-out symptoms and firm performance. To account for this diversity, we distinguish between three ideal types of entrepreneurs on the basis of the objectives that motivated them to start their businesses, namely necessity-driven, rationality-driven and opportunity-driven entrepreneurs (Hatak, Kautonen & Fink, 2013; Singh & DeNoble, 2003; Galbraith & Latham, 1996). Specifically, we argue that the perceptions of entrepreneurs regarding their own performance and their compensation depend on the objectives that motivated them to start their business. In fact, owing to their different objectives and the associated differences in the efforts they make, necessity-driven, rationality-driven and opportunity-driven entrepreneurs are expected to experience different demands and challenges. Consequently, the type of the entrepreneur also influences the entrepreneurs’ physical well-being and the emergence of burn-out symptoms.

Necessity-driven entrepreneurs perceive entrepreneurship to be a negative outcome resulting from a lack of suitable employment opportunities. For this individual, running a business is just a temporary solution until appropriate opportunities become available in the labor market (Kautonen & Palmroos, 2010; Singh & DeNoble, 2003). Rationality-driven entrepreneurs are similar to the necessity-driven entrepreneurs in that they are more concerned about maintaining their chosen lifestyle than pursuing an entrepreneurial opportunity. According to Singh and DeNoble (2003), these individuals base their occupational decision on a rational comparison of the income stream generated from their employment and the potential returns from entrepreneurship. Moreover, such entrepreneurs are inclined to minimize risk and maximize short-term returns in their entrepreneurial decisions. Therefore, the firms of these rational types usually draw on the human and social capital generated by the entrepreneur in the primary labor market. Nevertheless, as rationality-driven entrepreneurs are not driven by the desire to pursue entrepreneurial opportunities, they are more likely to just work for themselves, rather than seeking to reinvest in long-term business development (Kautonen, Down & Minniti, 2014; Hatak et al., 2013). In contrast, opportunity-driven entrepreneurs are driven more by the desire to pursue an interesting entrepreneurial opportunity than by the need to leave career employment, for example in order to reduce working hours as intended by rationality-driven entrepreneurs (Curran & Blackburn, 2001). Thus, as these individuals are more entrepreneurially oriented than individuals in the other categories, they are also more likely to develop businesses that hire employees, and perhaps even to innovate and grow. Through a strong desire for generating innovations and creating jobs, this type of entrepreneur is more likely than a necessity-driven or rationality-driven entrepreneur to suffer from burn-out as a result of poor well-being.

More specifically, even before potential burn-out symptoms become manifest, the strains associated with entrepreneurship can impair well-being (Volery & Pullich, 2010; Schaufeli, Taris &
Rhenen, 2008). Reduced quality of well-being might hinder entrepreneurs’ ability to manage their psychological and physical demands at work and to elicit rewards, which enhances the emergence of burn-out symptoms. In fact, opportunity-driven entrepreneurs might be too ambitious (or overcommitted) to reach their goals, thus exaggerating their efforts. The resulting high effort–low reward mismatch may impact negatively on their physical well-being, leading to burn-out symptoms (Jonge et al., 2000). In contrast, a similar firm performance might be satisfactory for rationality-driven entrepreneurs, who do not experience such high psychological and physical demands. The resulting effort-reward balance implies lower risks of poor well-being and, as a consequence, of developing burn-out symptoms on the part of rationality-driven entrepreneurs.

In turn, the resource constraints of necessity-driven entrepreneurs might not only enhance the perceived level of psychological and physical demands, but at the same time reduce the perceived rewards of their entrepreneurial activity in terms of money, esteem and status control. Overwhelming demands paired with insufficient resources is one of the main causes of burn-out (Bakker, Demerouti & Verbeke, 2004). Therefore, we hypothesize:

**Hypothesis 1.** The relationship between the entrepreneur’s physical well-being and the emergence of burn-out symptoms is dependent on the objectives pursued by the entrepreneur (necessity-driven entrepreneur, rationality-driven entrepreneur, or opportunity-driven entrepreneur).

One result of the entrepreneurs’ burn-out can be a distinct decrease in performance (Maslach, 1982), which can endanger firm performance (Wincent, Örtqvist & Drnovsek, 2008). Specifically, negative socio-economic effects of burn-out can include long periods of sick leave and an inability to work (Houkes & Janssen, 2003). If entrepreneurs develop burn-out syndrome, they often want to change their working situation, which can cause the financial and operational performance of the firm to decline (Gliken & Janka, 1982). Financial performance includes indicators that are directly related to the financial goals of a firm such as measures of growth, profitability, and value-based indicators like Tobin’s Q (Rosenbusch, Rauch & Bausch, 2013). Operational performance comprises factors that might lead to financial performance, such as market share, new product introduction, product/service quality, or marketing effectiveness (Venkatraman & Ramanujam, 1986).

Moreover, the link between the entrepreneur’s burn-out symptoms and the performance of his firm might be dependent on the type of entrepreneur. Given their focus on innovation and growth, we hypothesize that the burn-out symptoms of opportunity-driven entrepreneurs lead to a decline in both operational and financial performance of their firms. In contrast, due to their emphasis of cost-benefit analyses, we expect the burn-out of rationality-driven entrepreneurs to have a negative influence only on financial performance. In turn, the development of burn-out symptoms on the part of necessity-driven entrepreneurs might intensify the impact of inefficient and misdirected behavior (Jackson & Schuler, 1985), resulting in a decline in operational firm performance. Accordingly, we formulate the following hypothesis:

**Hypothesis 2.** The relationship between the entrepreneur’s burn-out symptoms and the performance (financial, operational) of the firm is dependent on the objectives pursued by the entrepreneur (necessity-driven entrepreneur, rationality-driven entrepreneur, or opportunity-driven entrepreneur).
ENTREPRENEURIAL MOTIVATIONS

METHOD

Data and Sample Description

The study participants were selected according to the following criteria. First, the entrepreneur had to employ at least one employee. This criterion was introduced to ensure that the study participants were engaged in a business venture rather than being a freelancer or a self-employed contractor. Second, the venture had to be as young as eight years. Thereby, the sample consists of new entrepreneurial venturing activities.

We combined random sampling and convenience sampling procedures to select the study participants. First, we randomly selected business ventures that were listed in the Dutch ORBIS database. The database lists all business ventures that are registered at the local chambers of commerce (registration is mandatory in The Netherlands). In addition, we collected data from participants selected via the personal network of the investigators.

215 entrepreneurs participated in the survey. Due to missing values, the final analyzable sample comprises 168 cases. The business ventures came from different industries, with 26% of the participants operating in the retail industry. The headcount averaged 11 employees.

Operationalization

To assign the respondents to the three categories of necessity-driven, rationality-driven and opportunity-driven entrepreneurs, we relied on a three-item scale proposed by Kautonen et al. (2014). Physical well-being was measured by the SF-36 (Medical Outcome Study Short Form; Stewart, Hays & Ware, 1988). While the SF-36 comprises eight dimensions of well-being, only two of them express the general physical well-being (i.e., general health with four items, Cronbach’s Alpha=.852; vitality with five items, Cronbach’s Alpha=.443) so that they were captured within the present study. The burn-out symptoms were identified by using the Maslach Burn-Out Inventory–General Survey (MBI; Schaufeli et al., 1996). It consists of 16 items and measures burn-out as a syndrome consisting of three dimensions: emotional exhaustion (=ex), depersonalization (or cynism; =cy), and reduced gratification (or reduced professional efficacy; =pe). Emotional exhaustion is understood as physical and psychological reactions to overstraining, which become manifest in negative feelings towards work. Depersonalization shows in numb or blunt reactions vis-à-vis clients or employees. Reduced gratification comprises reduced self-efficacy, reduced empathy and reduced joy in working with others. Cronbach’s a coefficients for the three dimensions range between .539 (=cy; pe=.639) and .812 (=ex). Confirmatory factor analysis shows that all three dimensions load on one component. Firm performance was assessed by asking the entrepreneurs to report the importance and their satisfaction regarding sales/revenue/headcount growth, net profit margin (financial performance), product/service/ process innovation, adoption of new technology, product and service quality/variety, and customer satisfaction (operational performance) (Wiklund & Shepherd, 2003). As control variables, we chose age, gender, educational level, family status and kids in the household. To avoid issues of multicollinearity, the explanatory variables were mean-centered.

RESULTS

We performed linear regression analyses to test our hypotheses. Specifically, for testing differences among the three ideal types of entrepreneurs, we rerun the regression based on the respective subsamples and compared the Beta-values using the Chow test.
To test the first hypothesis which assumes that the relationship between the entrepreneur's physical well-being and the emergence of burn-out symptoms is dependent on the objectives pursued by the entrepreneur, we run separate regressions for the three subsets of necessity-driven entrepreneurs, rationality-driven entrepreneurs and opportunity-driven entrepreneurs. While none of the models is significant in the first step including the control variables only, the models for necessity-driven entrepreneurs and opportunity-driven entrepreneurs (adj. $R^2 = .261$ and adj. $R^2 = .516$, respectively) became significant when we included the two independent variables general health and vitality into the equation. Specifically, with regard to the impact of general health on burn-out, we find a significant negative relationship for the opportunity-driven entrepreneurs ($\beta = -.305$, $p = .010$), but no such effect for their necessity-driven counterparts ($\beta = .011$, n.s.). In contrast, for the dimension of vitality, we find a strong and highly significant negative impact on burn-out both among necessity-driven entrepreneurs ($\beta = -.539$, $p = .000$) as well as opportunity-driven ones ($\beta = -.580$, $p = .000$). The Chow test revealed significant differences between the three ideal types of entrepreneurs. Thus, hypothesis 1 is supported.

As to the performance impact of burn-out, we expected the negative effect of the entrepreneur's burn-out symptoms on the operational performance of their firm to be dependent on the objectives pursued by the entrepreneur. To test this hypothesis, we run separate regressions for the three subsets of necessity-driven entrepreneurs, rationality-driven entrepreneurs and opportunity-driven entrepreneurs. Again, none of the models gains significance with only the controls included, and only the models based on the subsamples of necessity-driven (adj. $R^2 = .098$) and opportunity-driven (adj. $R^2 = .137$) entrepreneurs become significant when including the three dimensions of burn-out. Specifically, with regard to emotional exhaustion, we find a significant negative impact on the operational performance of necessity-driven entrepreneurs' firms ($\beta = -.316$, $p = .009$), but no such effect for opportunity-driven entrepreneurship ($\beta = -.281$, n.s.). In contrast, reduced professional efficacy is negatively related to the operational performance of opportunity-driven entrepreneurs’ firms ($\beta = -.345$, $p = .016$). Depersonalization/cynism does not have a significant impact in any of the models. The Chow test showed that the identified differences in the Beta-values are significant. We also expected the negative effect of the entrepreneur’s burn-out symptoms on the financial performance of their firm to be dependent on the objectives pursued by the entrepreneur. However, none of the three models – based on the subsamples of necessity-driven, rationality-driven and opportunity-driven entrepreneurs – relating burn-out to financial performance is significant. Thus, hypothesis 2 can only be partly supported.

Discussion

Given that owning and running a business impacts on the health-related quality of life of entrepreneurs (Volery & Pullich, 2010), we were motivated to conduct this research to better understand the factors related to the development of burn-out symptoms as well as the consequences of burn-out. Our results indicate that physical well-being is negatively related to the development of burn-out symptoms. Moreover, burn-out is negatively related to operational performance. Finally, we found some indication for the type of entrepreneur affecting both the relationship between physical well-being and burn-out, and between burn-out and operational performance.

An interesting finding is that burn-out is related to operational performance, but not to financial performance. The insignificant relationship with financial performance might be explained by the fact that financial performance is often delayed as compared to operational performance (Thorndike, 1949). More specifically, operational performance provides an assessment of performance that is more immediate and that potentially leads to subsequent
financial performance (Venkatraman & Ramanujam, 1986). Therefore, it is possible that the effects of burn-out on performance might evolve over time.

We believe that our results contribute to the entrepreneurship literature in three ways. First, our results add to recent calls for examining health-related issues around entrepreneurship (Volery & Pullich, 2010). Specifically, our research extends previous research that focused on and compared stress levels and burn-out of entrepreneurs with other populations (Stephan & Roesler, 2010; Tetrick, Slack, Sinclair & DaSilva, 2000; Jamal, 1997). In fact, by investigating antecedents of burn-out, the present study demonstrates that the physical well-being of the entrepreneur has a profound impact on the emergence of burn-out symptoms so that well-being can be seen as an important predictor in the entrepreneurial process. Second, up to now, only few studies have examined the consequences of burn-out in an entrepreneurship context (Shepherd, Marchisio, Morrish, Deacon & Miles, 2010). In this regard, our study provides a first indication of the entrepreneurs’ burn-out symptoms having consequences for their firm’s performance, thus suggesting that health-related concepts need to be included in a theory of small firm performance. Third, our results provide some indication of the type of entrepreneur affecting both the relationship between physical well-being and burn-out as well as between burn-out and firm performance. In this regard, our findings call for further research. On a practical level, identifying triggering factors for burn-out symptoms of different types of entrepreneurs allows focusing efforts more effectively and efficiently on the development of sustainable prevention strategies. Such specific strategies could improve not only the well-being of the entrepreneurs, including a better health-related quality of life, which may go along with a reduction in health expenditure and follow-up costs, but also the long-term realization of economic potential such as innovation, wealth and competitiveness.

Our results have to be interpreted with regards to the study’s limitations. Due to our cross-sectional design, we cannot draw causal inferences, thus leading to problems of reversed causality. For example, low firm performance could very well be a predictor of burn-out rather than a consequence of burn-out. Such a causal path would be predicted by the conservation of resources theory (Hobfoll, 1989). At the same time, there is ample evidence in organizational behavior research indicating that burn-out is as a predictor of performance (Shepherd et al., 2010; Bakker et al., 2004). In addition, the cross-sectional design does not allow to examine the processes occurring within the development of burn-out symptoms. Burn-out develops over time and the consequences of burn-out might also accumulate over time. Therefore, the relationship between physical well-being and burn-out might actually be stronger than the effects identified in the present study. Another limitation is the common-method variance issue inherent in the present study. While we cannot rule out that our results suffer from this issue, we used well-validated instruments that have been shown to predict outcomes in other research contexts.

CONTACT: Isabella Hatak; isabella.hatak@wu.ac.at; (t) +43 1 31336 4591; Institute for Small Business Management and Entrepreneurship, WU Vienna University of Economics and Business, Welthandelsplatz 1, 1020 Vienna, Austria.