NEVER, NEVER, NEVER GIVE IN? UNDERSTANDING THE ENTREPRENEUR’S DECISION TO PERSIST IN THE FACE OF ADVERSITY

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ABSTRACT ONLY

Principal Topic

Entrepreneurs and scholars have consistently recognized persistence as one of the essential characteristics of new venture success (Kuratko & Hodgetts, 2007). However, research has also shown the potentially negative consequences that result from persisting in a failing course of action (Staw, 1976). Persistence can be costly to the individual and to the economy if it results in the inefficient allocation of resources when the resources could have been more effectively applied elsewhere (McGrath, 1999). It would appear that the ongoing decision of whether to give in or to persist is a key element of the entrepreneurial process.

While much has been accomplished in researching the decision policies of potential entrepreneurs making the decision to start a business (e.g. Douglas & Shepherd, 2002), there has been relatively little presented regarding the decision to persist with a business. Entrepreneurial persistence is the decision to remain steadfast in the new venture regardless of counterinfluences, adversity, or enticing alternatives. Persistence entails two distinct conditions: (1) the intention to continue a previously selected course of action and (2) doing so in the face of opposing forces.

In order to understand the entrepreneur’s choice to continue in the face of adversity, we must consider both the person and the environment (Shaver & Scott, 1991). Decision-making and the resulting behavior stem from the interaction between the entrepreneur (i.e. motivation, cognitions, personal characteristics) and the perceived situational factors present at the time of the choice. An entrepreneur chooses to act or continue to act by considering the appeal of the perceived outcomes of the potential action and by determining a relative probability of actually achieving those outcomes (Gatewood et al., 2002). The specific research questions that motivate this research evolve from the interrelated forces of motivation, personal characteristics, situational factors, and opportunities and the role that they play in the decision to persist.

Using expectancy theory (Vroom, 1964), control theory (Klein, 1989), and entrepreneurial action (McMullen & Shepherd, 2006), we present a model of entrepreneurial persistence. Based on this model, we explore how entrepreneurs may change the emphasis placed on expectancy and valences in their decision policies in the context of high adversity versus low adversity. We also test whether personal characteristics or values will influence the way the persistence decision is made in these contexts.

Methodology/Key Propositions

The sample consists of 105 owner-managers of firms less than 8 years old. Using a conjoint experimental design, respondents were asked to make a series of judgments regarding the likelihood that they would persist with their current venture, given a number of hypothetical scenarios. The scenarios differed across four attributes: financial returns, non-financial benefits, switching costs, and the probability of achieving expected outcomes. The participants also answered a post-experiment
questionnaire related to personal values and demographic information. In order to accommodate multiple levels of data, HLM was used to analyze the data.

Results and Implications

The results of this research suggest that there is heterogeneity in entrepreneurs’ persistence decision policies based on the level of adversity faced at the time of the decision. Interestingly, the participants tended to place less weight on the expectancy of outcomes in their persistence decision policy in a state of high adversity than in a state of low adversity. The results also suggest that some differences in the persistence decision policy used by entrepreneurs can be attributed to differences in the individual values held by entrepreneurs. This finding supports the notion that values play an important role in the cognitive appraisal of opportunities.

Several contributions are made in this research. First, we examine the complex contingent relationships between adversity, individual characteristics, opportunities, and the decision factors of expectancy and valence. In doing so, we answer the call by Shane, Locke, and Collins (2003) to use motivation to “separate those who continue to pursue opportunities from those who abandon the effort.” Second, this study is unique in that the entrepreneurs that participate in the study are making actual decisions regarding the likelihood of persevering with their present venture while weighing the current opportunity against the next best alternative. Other entrepreneurial persistence studies have measured persistence as a trait or a perception but have failed to look at it in the decision context with alternative opportunities. Third, the findings may have some practical application. The decision to persist may be either wise or unwise. If entrepreneurial decision-makers better understand that various contingencies may naturally predispose them towards a certain decision, then they may be able to take precautionary measures by purposely seeking objective data or opinions from other sources.