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Uncertainties in Entrepreneurship Climate: A Study on Start-ups in India

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Abstract

Uncertainty in entrepreneurship climate is critical to entrepreneur as it is directly related to the context of decision making. Self-identity of an entrepreneur plays a vital role in decision making and hence, the related factors to be explored with their factor structure. Entrepreneurial behaviour is boosted by self-identity and exposed to the catalytic effect of social-identity. Though psychology and sociology literature explains the concept of social-identity and self-identity, still management and organizational behaviour literature is under developed in measuring those constructs related to entrepreneurship climate. A scale is thus developed and tested through the internal consistency. Extractions of factors were compared and confirmed using an alternative factor retention criteria 'Parallel Analysis'. 600 entrepreneurs engaged in start-ups from all over India was contacted in the study. 373 responses were finally retained for analysis. This paper concludes with the factor structure of uncertainty in 'Social-Self-Identity' having dimensions of sustained key decision making with self-adaptability of personal values in dynamically changing climate. This paper adds to the entrepreneurship literature bringing the measure of the concept of uncertainties of entrepreneurship climate.

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Keyword: Decision making ; Entrepreneurship climate; India; Start-ups ; Uncertainty

1. Introduction

The ever-changing entrepreneurial climate creates a decision-making problem for start-ups as the entrepreneur lacks knowledge regarding firm's climate. Therefore, for growth and sustenance, continuous scanning (Kourteli, 2000) of the firm's entrepreneurial climate is required by the start-ups. From the existing literature we make entrepreneurial climate parallel to entrepreneurial environment looking into

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more implication perspective, which has got internal and external dimensions (Duncan, 1972; Rice, 1963). Internal climate has been conceptualized as the segment of environment that deals with the interaction among the individuals of the organization and the inter-personal relationship of the members of an organization (Rice, 1963; Duncan, 1972). On the other side, the external climate is conceptualized to deal with individuals, groups or institutions other than the internal climate (Rice, 1963). Dynamism and complexity in the climate factors initiates uncertainty in the internal and external climate. Uncertainty has been defined as an ‘attribute of an individual’s behavioural climate rather than an attribute of the Physical climate’ (Downey, Hellriegel, et.al, 1977). Uncertainty also brings with it new opportunities in business. An entrepreneur’s self-motivation and knowledge regarding the degree of perceived uncertainty enables him to act entrepreneurially to cope up with uncertainty (McMullen and Shepherd, 2006). In today’s dynamic entrepreneurial climate, to cope with varying degrees and levels of uncertainty scanning (Kourtelis, 2000), information processing and reach to a decision by the entrepreneur and his team is essential. Thus, the role of internal climate, its ability and effectiveness are critical for entrepreneurial firm. Duncan (1972), cited the different elements of internal climate as ‘personnel component’, ‘functional and staff units component’ and ‘organizational level component’. Other researchers highlighted the significance of teamwork component (Pinto and Pinto, 1990; Kernaghan and Cooke, 1990; Moenaert and Souder, 1990) that positively impacts the effectiveness in the task climates. The organizational personal component (Duncan, 1972) includes background and skill of the team members, their prior experience, manpower availability, inter-personal behaviour and team members’ involvement and commitment.

The discussion of team and inter-personal interactions leads us towards psychological constructs. The inter-personal behaviour is a significant aspect of the ‘social-self-identity’ and acts as an important indicator of the firm’s internal climate. The inter-group and intra-group phenomenon (Turner, 1987; Tajfel & Turner, 1979) within an organization is explained by entrepreneur’s identification with group. The social behaviour of an entrepreneur is significantly affected by entrepreneur identify with group. The entrepreneurial behaviour that motivates to work entrepreneurially is dependable on the self-identity (or self-concept) of the entrepreneur. These entrepreneurial qualities can be linked to two distinct literature bases. The social study literatures identify the interaction between social-identity and inter group behaviour. The interaction is guided by positive social identity and mediated through positive inter group distinctiveness. The positive intergroup distinctiveness is motivated by need of positive self-esteem. In social studies positive self-esteem is captured in ‘self-categorization theory’ (Hogg and Terry, 2000). Self-categorization theory is also linked with motivation for social-identity and process of uncertainty reduction. The uncertainty of ‘social-self’ is thus discussed in sociological and psychological studies separately. The management literature is underdeveloped in capturing uncertainty of the ‘social-self’ in the context of an entrepreneurial team. In this study, researchers took an exploratory approach for unearthing the ‘social-self-identity’ factors of an entrepreneur that arises to cope up with the perceived uncertainties of a firm’s internal climate. The terminology and concept of ‘social-self-identity’ emerged from the combination of explorative study by the researcher and their discussion on the social-psychology literature that has been discussed in the literature section and used throughout the paper. In the recent years multidimensional social-identity scale has been developed. Such scales are developed based on the definition and other dimensional aspects of social-identity. Different scales advocated in the literature, has no relevance with perceived uncertainty emerging from ‘social-self-identity’ characteristics of an entrepreneur. To address this issue the researchers introduced a new scale to measure the theoretically important variables of ‘social-self-identity’ uncertainty factor.

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