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The influence of institutions development in venture creation decision: A cognitive view[☆]

Juan Aragon-Mendoza^{a,*}, Manuela Pardo del Val^a, Salvador Roig-Dobón^{b,**}

^a University of Valencia, Spain

^b University of Valencia, IUDESCOOP, Spain

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ABSTRACT

This study seeks to provide new evidence on the way men and women process information in venture creation decision (VCD) and on the differences that may arise when taking this decision depending on the level of development of countries and their institutions. To reach this objective, this study carries out an experiment and identifies 120,536 people from 25 countries. Results indicate that institutions are necessary but not sufficient to achieve quality entrepreneurship, and that information processing is different between men and women, because women, regardless of the level of institutional development, process information similarly, whereas men do not.

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1. Introduction

Entrepreneurship is a complex phenomenon that researchers study from multiple approaches and fields. Multiple definitions (Ahmad & Seymour, 2008; Gartner, 1990; McMullan & Long, 1990) and subcategories (Sharma & Chrisman, 1999) of the term entrepreneurship exist. However, the literature generally associates entrepreneurship with business creation or expansion due to the generation and/or identification of opportunities, with the aim of creating value, financial or otherwise.

Venture creation decision (VCD) deals with the choices necessary to launch new businesses (Gartner, 1985). VCD's relationship with different micro and macroeconomic variables has much relevance in academic and political areas, mainly due to the effect of business cycles on employment levels and economic growth.

The study of context and the environment is very important to understand VCD (Stevenson & Jarillo, 1990) because human beings are a social product, and their beliefs, attitudes, and desires are a reflection

of the effect of the cultural environment and the social forces (Ayres, 1962). Social cognition theory explains individual behavior through the person–environment interaction (Fiske & Taylor, 1984), and posits that any changes in the environment or personal factors affect individual behavior and vice versa.

Entrepreneurial cognition is an intermediary between the institutional context and VCD (Lim, Morse, Mitchell, & Seawright, 2010; Mitchell, Smith, Seawright, & Morse, 2000). Entrepreneurial cognition makes institutions change people's perceptions, and influences the VCD and the range of opportunities available in the environment (Terrell & Troilo, 2010). This fact, in turn, means that the level of institutional development of concepts such as information processing, role, network access, access to financial resources, education, etc. (Lim et al., 2010; Mitchell et al., 2000) is different for men and women (Baker, Gedajlovic, & Lubatkin, 2005; Morrisson & Jutting, 2005). Additionally, differences in information processing due to the different institutional development may affect the perceptions of extrinsic factors such as identifying and evaluating opportunities (Bergal-Mirabent, Ribeiro-Soriano, & Sánchez García, 2015; Noguera, Alvarez, & Urbano, 2013), and the perceptions of intrinsic elements, such as the assessment of their own abilities (Curado, Henriques, & Bontis, 2011; Wilson, Kickul, & Marliño, 2007).

The process of how the institutional environment and its development affect the VCD needs more examination (Lim et al., 2010). In addition, the inclusion of different levels of economic development of

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* Correspondence to: J. Aragon-Mendoza Av. Los Naranjos s/n, 46022 Valencia, Spain.

** Correspondence to: S. Roig-Dobón, University of Valencia, IUDESCOOP, Av. Los Naranjos s/n, 46022 Valencia, Spain.

E-mail addresses: amenjuan@alumni.uv.es (J. Aragon-Mendoza), Salvador.roig@uv.es (S. Roig-Dobón).

countries (Acs, Desai, & Hessels, 2008) requires examining whether the theoretical perspectives dealing with mature markets are valid in emerging economies (Bruton, Ahlstrom, & Obloj, 2008).

The objective of this article is to examine how men and women process information in VCD depending on the level of development of countries and their institutions. For this purpose, an experimental study identifies people from 25 countries with different levels of development from a sample of 120,536 people.

The article comprises seven sections. After the introductory section, Section 2 presents the literature review. Section 3 presents the method that this study uses. Section 4 presents the results of the analysis. Section 5 offers a discussion on these results. Section 6 presents the conclusions of this research, and Section 7 offers the limitations of the research and various ideas for further research.

2. Literature review

Neisser (1967) defines cognition as all processes that transform, reduce, elaborate, store, recover, and use sensory information. Later, with the development of the theory of social cognition, person–environment interaction explains individual behavior. The theory of social cognition considers that two sets of factors describe individuals within a total situation or configuration of forces: One is the cognition/motivation and the other is the person in the situation (Fiske & Taylor, 1984). This configuration of forces results in a continuous and reciprocal interaction between these factors and any changes in the environment or personal factors, which affects individual behavior and vice versa.

During the last decade, the literature on this field has developed considerably, focusing on the study of thinking and decision making, reviewing especially the cognitions relating to entrepreneurial decisions (Mitchell et al., 2007). This progress has generated different (but complementary up to a point) perspectives with common roots (Mitchell et al., 2007).

2.1. Entrepreneurial cognition

Venture creation decision (VCD) involves choices to launch new businesses (Gartner, 1985), which rely on important cognitive processes. Research on entrepreneurial cognition focuses primarily on the way in which entrepreneurs think (Mitchell et al., 2007), that is, those knowledge structures that people use to make assessments, judgments, or decisions such as evaluating opportunities, starting a business and taking up growth strategies (Busenitz, Gomez, & Spencer, 2000; Mitchell et al., 2000).

This definition distinguishes two key factors: Knowledge structures (heuristic or scripts) and decision making within the context of entrepreneurship (Mitchell et al., 2004).

Logic drawing on heuristics (Busenitz & Barney, 1997; Simon, Houghton, & Aquino, 2000) states that individuals and situations vary depending on the extent of use of decision shortcuts (Busenitz & Barney, 1997) such as representation, illusion of control, and planning fallacy among others. Beliefs partially influence VCD, which makes VCD partially subjective (Busenitz & Barney, 1997; Simon & H.S., 2002).

According to the entrepreneurial expertise prospect Mitchell et al. (2000, 2002) argue that entrepreneurs develop cognitive scripts or unique knowledge structures that allow them to use the information in a better way than non-entrepreneurs (Mitchell et al., 2000). Cognitive scripts capture two critical steps for success or failure of planned behaviors: The entry, where the script of arrangements is; and the development, where cognitive scripts of willingness and ability are (Leddo & Abelson, 1986).

2.2. Entrepreneurial cognitive scripts and VCD

The conceptualization of entrepreneurial cognitive scripts is one of the most comprehensive conceptualizations because cognitive scripts'

phases are similar to other conceptual models of entrepreneurship such as that of Ajzen (1991). Ajzen argues that the first phase in VCD is the feasibility and, subsequently, the propensity to act and the desire to create a new business (Krueger, Reilly, & Carsrud, 2000).

Arrangements as cognitive scripts refer to the individual knowledge of certain structures to achieve the necessary agreements and participate in business activity (Lim et al., 2010). These structures include possession and specific use of an idea; a single network of contacts usage; possession or access to specific resources to start a business; and specific entrepreneurial abilities that allow generating a competitive advantage to the new business (Mitchell et al., 2000).

Cognitive scripts of willingness show the business commitment of the entrepreneur and their receptivity to the idea of starting a business. Willingness cognitive scripts include being careful in seeking new opportunities, being committed to assume responsibility for starting a business, and being motivated to take advantage of an opportunity (Mitchell et al., 2000).

Ability cognitive scripts are the skills, abilities, knowledge, norms, and attitudes that individuals need to start a business (e.g., the ability to adjust to the opportunities, business diagnosis, and knowledge of the risk situation; Mitchell et al., 2000, 2002).

During the individual information processing, entrepreneurship cognitive scripts initially focus on evaluating the feasibility of starting a business when analyzing the access to tangible and intangible resources. Then, the entrepreneur focuses on aspects relating to motivation and the ability to meet the target. The interaction among cognitive scripts is essential to realize the VCD and the presence or absence of these causes or prevents the VCD.

H1. Entrepreneurial cognitive scripts affect the venture creation decision.

2.3. Entrepreneurial cognitive scripts, level of institutional development, and the VCD

Business systems that define the behavior of a country through its institutional characteristics could foster or discourage entrepreneurship (Salimath & Cullen, 2010). Individual cognitive scripts mediate this process (Lim et al., 2010; Mitchell et al., 2000). The institutions of a country influence the economic behavior within the business system through the generation and reproduction of certain cognitive assumptions of members of a society (DiMaggio & Powell, 1991; Scott, 1995).

Depending on the level of competitiveness of economies, countries are resource countries, optimizer countries, or innovative countries (Schwab, 2009). The resource and optimizer countries are emerging or developing countries and innovative countries as developed countries. The innovative countries base their competitiveness on innovation, whereas resource countries are less developed and their economy builds on the exploitation of natural resources. Optimizer countries are in an intermediate state, making efforts to improve their production processes.

The institutional context affects economic behavior (North, 1990; Peng, Sun, Pinkham, & Chen, 2009; Whitley, 2002), entrepreneurial cognitions in particular (Busenitz & Lau, 1996; Mitchell et al., 2000) and entrepreneurship in general (Baumol, 1990; Galindo, Guzmán, & Ribeiro, 2009; Huarng & Ribeiro-Soriano, 2014). Institutions of countries can make entrepreneurship productive, unproductive or even destructive (Minniti, 2008).

In contrast to developing countries, developed countries tend to have more advanced institutions with friendlier regulations toward entrepreneurship. Developed countries also tend to have more jobs and more economic freedom (McMullen, Bagby, & Palich, 2008), better protection of copyright and intellectual property, less regulatory complexity and corruption, increased transparency, and better functioning capital markets (Lee, Peng, & Barney, 2007; Lim et al., 2010; Puffer & McCarthy, 2001; Xavier et al., 2013).

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