



# A risky shift? An exploration of the measurement equivalence of entrepreneurial attitudes and entrepreneurial orientation across socioeconomic gradients



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## ABSTRACT

While entrepreneurial orientation (EO) is often conceptualized on a firm level of analysis, scholarship has highlighted that firm-level strategy is influenced by the psychology of managers. Because an individual's psychological approach to risk-taking is influenced by socioeconomic factors, we explored whether responses to risk-taking items in scales of individual-level entrepreneurial attitudes and firm-level EO are influenced by socioeconomic status and the socioeconomic development of regions. Testing for measurement equivalence (ME), we found evidence consistent with the inference that items relating not only to risk-taking, but also to innovativeness and proactivity, are thought of differently according to socioeconomic influences on individual and regional levels of analysis. We discuss the implications of our results including the need for researchers to test for ME when exploring entrepreneurial attitudes and EO across socioeconomic gradients.

## 1. Introduction

Entrepreneurial orientation (EO) is a cornerstone of the field of entrepreneurship and an important predictor of firm performance (Rauch et al., 2009). While EO is predominately viewed as a firm-level construct (Covin and Wales, 2012), it is often measured through the psychological filter of individual managers (Frese, 2009); in addition, scholarship has highlighted how the attitudes and dispositions of individuals influence firm-level strategy (Frese and Gielnik, 2014; Hambrick and Mason, 1984). Based upon conservation of resources theory (Hobfoll, 1989), individual entrepreneurs' attitudes toward risk-taking appear particularly susceptible to influence from socioeconomic forces. Thus, entrepreneurs' attitudes about risk taking and measures of EO tied to those attitudes are likely to include both construct-relevant and construct-irrelevant signals – potentially leading to misinterpretation.

The present work explores whether individuals spread across socioeconomic gradients might differentially conceptualize items relating to risk-taking in comparison to their interpretations of items relating to innovativeness and proactivity. We pursue this line of investigation with two samples. First, we test for measurement equivalence (ME) in an individual-level assessment of entrepreneurial attitudes toward risk-taking, proactivity, and innovativeness in the United States among entrepreneurs of low and high socioeconomic status. Second, we test for ME in an assessment of firm-level EO, measured via manager self-report, among firms from Montenegro operating in regions of low and high socioeconomic development.

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This article makes at least three contributions. First, we provide evidence that the self-report of a firm's EO across socioeconomic gradients might be misleading – even within a single nation. Second, we take a preliminary step to answering the call by [Covin and Miller \(2014\)](#) to consider the extent to which intra-national socioeconomic factors might be conceptually related to EO. Third, we extend research on the psychology of entrepreneurship by demonstrating the theoretical relevance of tests of ME to an understanding of EO ([Frese and Gielnik, 2014](#)).

## 2. Entrepreneurial attitudes and their relationship to entrepreneurial orientation

As highlighted in a recent review by [Wales \(2016\)](#), a succinct and encompassing definition of EO was provided by [Anderson et al. \(2009\)](#) when they referred to the construct as “the extent to which firms are innovative, proactive, and risk-taking in their behavior and management philosophies” (p. 218). This definition reflects tension between the fact that EO is often conceived of as a firm-level construct ([Covin and Wales, 2012](#)) yet it is based on the attitudes and dispositions of individuals both from a measurement standpoint and a conceptual standpoint ([Covin and Lumpkin, 2011](#)). From a measurement standpoint, it is often the case that EO is shaped by individual psychology because it is assessed via the self-report of a single manager ([Frese, 2009](#)). From a conceptual standpoint, EO is shaped by the dispositions and attitudes of individuals because, according to upper echelons theory ([Hambrick, 2007](#); [Hambrick and Mason, 1984](#)), the actions and decisions of top executives, and therefore the strategy of the firm, is shaped by those executives' personal experiences, values, and personalities. Empirical evidence for the relationship of individual-level psychological factors with EO was provided by [Simsek et al. \(2010\)](#) who found that a CEO's level of core self-evaluation (a broad personality trait) can influence firm-level EO. The importance of both individual-level attitudes and firm-level behaviors to EO was reflected by [Anderson et al. \(2015\)](#) when they proposed a model of EO formed jointly by a firms' objective entrepreneurial behaviors and managers' attitudes about risk-taking.

If entrepreneurial attitudes help to determine firm-level EO, or at least help to filter an understanding of a firm's EO, then it is important to inquire whether different groups of entrepreneurs have the same understanding of key concepts. There have been multiple studies that have sought to establish whether entrepreneurs in different cultures equivalently understand EO ([Hansen et al., 2011](#); [Kreiser et al., 2010](#); [Runyan et al., 2012](#)). Whether individuals have equivalent understandings of a concept is often established through tests of ME. More specifically, establishing ME is an important prerequisite to comparing scores across groups because without ME those comparisons are potentially suspect or misleading ([Chen, 2008](#)). ME is evaluated based upon whether items in a given scale exhibit configural, metric, and scalar invariance ([Vandenberg and Lance, 2000](#)). Typically, both configural and metric invariance – which indicate similarity in general factor structure and strength of factor loadings respectively – are required for relativistic comparisons (e.g., comparison of correlation coefficients). When mean-level comparisons are made, scalar invariance – signifying comparability in item intercepts/thresholds – is required.

## 3. Relationship of risk-taking to socioeconomic factors on individual and regional levels

EO is commonly measured with a unidimensional scale of items that pertain to at least three distinguishable constructs – proactivity, innovativeness, and risk-taking ([Rauch et al., 2009](#)). However, just as there is tension between conceptualizing EO as a firm-level or individual-level construct ([Bolton and Lane, 2012](#)), there is also tension between thinking of EO as a unidimensional or multidimensional construct ([Covin and Wales, 2012](#)). In a recent reconceptualization of the EO model, [Anderson et al. \(2015\)](#) reserved special consideration for attitudes toward risk-taking (as opposed to attitudes toward proactivity or innovativeness). Special consideration of risk-taking attitudes appears justified in light of [Stambaugh et al.'s \(2017\)](#) observation that risk-taking items appear particularly attitudinal or dispositional in nature (e.g., “managers of my firm... have a strong proclivity for high-risk...”; [Covin and Slevin, 1989](#), p. 86).

When entrepreneurs think about risk-taking, they often conceptually relate it to a variety of other phenomena – prominently including financial threat ([Miller, 2007](#)). A conceptual connection between risk-taking and financial threat is supported by [Hobfoll's \(1989\)](#) conservation of resources theory which proposes that a possible loss of resources leads to stress and to behaviors to avoid future loss. In light of this theory, it is plausible that entrepreneurs experiencing personally unfavorable socioeconomic conditions are differentially disposed to avoid, or perceive as more threatening, a given level of risk-taking. Moreover, when individuals' own financial security is linked to the financial success of firms they manage, the boundary between a firm's financial threat and personal financial threat will often be blurred. Support for these propositions can be found in research which has linked economic scarcity with trends in decision-making ([Haushofer and Fehr, 2014](#)), and in upper echelons theory which specifies that executives act on their personal interpretations of strategic situations ([Hambrick, 2007](#)).

Socioeconomic forces on national, intra-national, and individual levels can affect psychological phenomena (see [Oishi, 2014](#)). In this study, we first investigate the possible influence of forces on the individual level of analysis in the form of socioeconomic status (SES). In line with extant scholarship we define SES as the position held by an individual with reference to prevailing standards of financial, human, and social capital (e.g., [Becker, 1964](#); [Chapin, 1928](#); [Coleman, 1988](#); [White, 1982](#)). Based upon conservation of resources theory ([Hobfoll, 1989](#)), we suggest that entrepreneurs with lower SES might respond differently to risk-taking items than entrepreneurs with higher SES due to their personal reactions to financial threat. In particular, we suspect that risk-taking items might be differentially related to attitudes toward other entrepreneurial behaviors – namely, proactivity and innovativeness – depending on entrepreneurs' SES; in addition, we suspect that a given level of risk-taking might be interpreted as more or less risky depending on entrepreneurs' SES. We expect that these two differential response tendencies would be reflected by a lack of metric ME and scalar ME (respectively).

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