



## Entrepreneurial identity formation during the initial entrepreneurial experience: The influence of simulation feedback and existing identity

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### ABSTRACT

The impact of a negative initial entrepreneurship experience may inhibit the emergence of an entrepreneurial identity and shut down a subsequent entrepreneurial career. Testing theories of identity development usually involve complex longitudinal studies, but the testing may be facilitated through the use of business simulation gaming. Using a quasi-experimental research design, the paper explores how entrepreneurial micro-identity is formed among business undergraduates during the initial entrepreneurial experience. In doing so, the research investigates the impact of cognitive dissonance on the salience of the emerging identity and the influence of key existing identities. The paper accomplishes this using a novel dataset derived from a business simulation game. We argue that the simulation offers a valuable resource to test theories within shortened timescales. The paper contributes to the field by problematizing the initial entrepreneurial experience of undergraduate students and supports the case for using simulation gaming as a method to support theory testing.

### 1. Introduction

A number of researchers have considered the entrepreneurial journey as a means to conceptualize entrepreneurship (Fayolle, 2013; Nabi, Liñán, Krueger, Fayolle, & Walmsley, 2017; Pittaway & Cope, 2007a). Here, the individual moves from early stage awareness and initial experience through to the consolidation and development of entrepreneurial skills, mind-set and performance (Carsrud & Brannback, 2009; Di Domenico, Elizabeth, & Daniel, 2014). A key focus of the early stage is the formation of entrepreneurial identity (Farmer, Yao, & Kung-Mcintyre, 2011; Murnieks, Mosakowski, & Cardonssa, 2014). However, few studies review the development of entrepreneurial identity, an area that has been described as being ‘exceptionally important’ to the field of enterprise education (Nabi et al., 2017).

Entrepreneurial identity is just one of many parts that operate within a composite ‘super’ identity (Burke, 2001). Each particular identity comes with its own behavioral expectations that are defined, or imprinted, through various belief systems. These systems operate at an individual, interpersonal and group level, and entrepreneurial behavior will be a result of past experiences, observed behaviors, or conformity with a social group (Burke, 2003; Sluss & Ashforth, 2007). An individual will generally gain entrepreneurial awareness through

observation before actually experiencing entrepreneurial behaviors for themselves.

However, existing research has little to say about the transition from ‘observer to doer’ (Nabi, Holden, & Walmsley, 2010). Identity Conflict Theory suggests that when previously observed behavior conflicts with that experienced, the resulting discord may jeopardize the formation of the nascent entrepreneurial micro-identity (Shepherd & Haynie, 2009). Therefore, the contribution of this paper is to extend Identity Conflict Theory to explain the impact of the initial entrepreneurial experience on the salience of forming an entrepreneurial identity. Here, we expect that the nature of this experience (whether positive or negative) will exert a corresponding influence on salience.

To understand the impact of the initial entrepreneurial experience on identity formation would typically require an experimental approach and longitudinal data, along with the associated risk of external error and high data collection costs. This paper instead takes a novel approach using a business simulation game to generate an appropriate dataset and hypotheses tests. The paper commences by exploring the scope of the extant literature pertaining to entrepreneurial identity and experience, followed by a conceptualization of how Identity Conflict Theory may explain the formation of entrepreneurial identity during the initial entrepreneurial experience. Then, the theory is empirically tested using a business simulation game and experimental approach to

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gather data. The resulting model is then analyzed, and the implications for entrepreneurial identity formation are presented.

## 2. Conceptualizing entrepreneurial identity and the impact of experience

### 2.1. Entrepreneurial identity

Identity is an expression of self (Josselson, 1994) and is how individuals define and locate themselves within individual, relational and organizational contexts (Ashforth & Johnson, 2001). It is a psychosocial construct comprised of the internalized behavioral expectations of a role (Cantor & Mischel, 1979; Sluss & Ashforth, 2007). Thus, an entrepreneurial identity may be regarded as when individuals “see and talk of themselves as entrepreneurs” (Down & Reveley, 2004, p. 234). For an entrepreneur, behavioral expectations may relate to how an opportunity is discovered or exploited (Shane, 2010). Entrepreneurial identity may be one of many micro-identities functioning within what has been described as a holistic “super-ordinate” identity (Shepherd & Haynie, 2009). In turn, these groups of behavioral expectations operate within individual, relational and collective social norms that define what constitutes acceptable behavior within society (Burke, 2003), thus providing a basis for individuals to gauge which actions are appropriate within a particular identity (Shepherd & Haynie, 2009).

Society provides numerous templates of the ideal roles and associated behaviors. For example, role models are regarded as critical points of reference for individuals to learn and model observed behaviors. Gender identities are another example, in which males and females have associated behavioral expectations. However, individuals may have numerous identities that they enact contingent upon the setting. Here, a particular identity may be more salient than another, depending on operant social norms.

### 2.2. The role of entrepreneurial experience in identity formation

An individual typically gains awareness about entrepreneurs through didactic learning and the observation of role models within contexts such as family, peer groups and popular media (Swail, Down, & Kautonen, 2013). At this early stage, the individual's impression of entrepreneurs is based on an eclectic mix of observed behaviors. The next phase in their journey in becoming an entrepreneur is experiencing these behaviors. Whilst the role of entrepreneurial experience on entrepreneurial intent and subsequent entrepreneurial activity is widely discussed in the literature (Shane & Khurana, 2003; Zapkau, Schwens, Steinmetz, & Kabst, 2015), less research has specifically examined its relationship with entrepreneurial identity. Yitshaki and Kropp (2016) find that entrepreneurial identity among high-tech and social entrepreneurs is shaped over time through a combination of prior work and personal experiences, including interactions with mentors and business partners. Such experiences may support the sense of passion (Cardon, Wincent, Singh, & Drnovsek, 2009) associated with entrepreneurial identity. Meanwhile, Obschonka, Silbereisen, Cantner, and Goethner (2015) find that prior entrepreneurial experience has a positive effect on entrepreneurial identity and highlighted the occupational socialization effects of entrepreneurial work. They also identify the mutually reinforcing relationship between behavioral experience and entrepreneurial identity, whereby identity motivates entrepreneurial behavior, which in turn strengthens entrepreneurial identity. Similarly, Farmer et al. (2011) argue that learning gained through prior experience plays an important moderating role that reinforces identity to influence future entrepreneurial activity.

In an educational context, entrepreneurial experience may occur via experiential learning and practice through activities such as venture creation, student consultancy activity and educational simulation (Corbett, 2005; Pittaway & Cope, 2007b). Hence, such educational tasks and projects may be considered as proxies for real-life

entrepreneurial experience.

### 2.3. Levels of belief and micro-identity formation

An aspect of entrepreneurial identity formation that is less well understood is how individuals transition from observing to experiencing affects the formation of entrepreneurial identity. What if the observed eclectic behaviors give a false sense of what it means to be an entrepreneur? What if a role model displays one behavior but enacts another? What if the observed behavior is at odds with existing identities? What if it is a bad experience?

In an exploration of the conflict between role identities in family firms, Shepherd and Haynie (2009) developed Identity Conflict Theory. This theory suggested that when there is discord between observed and experienced behaviors, internal behaviors are modified to reduce dissonance. In the context of the family firm, the contradictions were resolved through the development of a family-business meta-identity (Reay, 2009); however, in the context of a pre-entrepreneurial individual, such dissension may influence, and perhaps jeopardize, the formation of a nascent entrepreneurial identity.

An individual may have a number of different identities, with each one being salient to different behavioral expectations or occupations. The importance of these separate, multiple identities are encapsulated within an over-arching identity and will fluctuate depending upon their salience at any given time (Shepherd & Haynie, 2009). For example, an individual's role-based identity as a manager will be dominant during a business meeting, but a phone call from their child's school will bring their family-based identity as a parent to the fore. These identities may exist side-by-side, forming a composite “super-ordinate” identity.

These micro-identities are not necessarily of equal importance, and in terms of their hierarchy, Sluss and Ashforth (2007) define three cognitive levels that incorporate multiple identities through various belief systems. These include an autonomous and independent individual level, a dyadic or interpersonal level and a collective/group level.

#### 2.3.1. Autonomous and independent individual level of belief

When the observed behaviors of the entrepreneurial identity clash with experienced behaviors, Identity Conflict Theory suggests that internal behaviors will be modified to reduce dissonance and align with identity standards (Hogg, Terry, & White, 1995). When a clash occurs, the importance of the Entrepreneurial Identity at the autonomous and independent individual level will be reduced. Prior to an intervention, whilst an entrepreneurial identity may be weak, such dissonance will inhibit its further development or emergence. As a consequence, between the transition from an entrepreneurial identity formed purely through observation to an experience-based entrepreneurial identity, we would expect the salience of entrepreneurial identity to decrease, meaning a reduction in the likelihood of related behaviors and the individual's freely made choice regarding their future actions. We contend that observation and awareness of the behaviors of others may set an unrealistic baseline level entrepreneurial identity, which experience then moderates. Thus, we hypothesize the following.

**Hypothesis 1.** Cognitive dissonance between observed and experienced entrepreneurial behaviors will lead to a decrease in entrepreneurial identity salience.

#### 2.3.2. Dyadic or interpersonal level of belief

At the dyadic or interpersonal level, according to Role Theory (Merton, 1957), roles are groups of behaviors associated with a defined placement in a social structure, and these roles are anchors in the construction of self (Ebaugh, 1988).

Prior to an entrepreneurial experience, an individual may have an entrepreneurial identity based on observation. Here, they may have been exposed to the behavior of entrepreneurs from whom they have

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