A Research on the Relationship among Entrepreneurial Social Identity, Decision-making Logic and Entrepreneurial Performance

Chang Li and Chao Shen
School of Business Administration, Zhejiang Gongshang University, Hangzhou, China

Keywords: Entrepreneurial Social Identity, Effectuation, Causation, Entrepreneurial Performance.

Abstract: Entrepreneurial social identity is of great importance for new venture and it has become diversified. Based on identity theory and effectuation theory, this study explores the relationship between entrepreneurial social identity, decision-making logic and entrepreneurial performance. Based on the modelling method of PLS/SEM structure formula, the study makes an empirical analysis of the data from questionnaires. The results reveals that: (1) Darwinian，Communitarian and Missionary have positive impact on decision-making logic but the impact is different; (2) Effectuation and Causation have positive impact on entrepreneurial performance.

1 INTRODUCTION

Under the upsurge of "mass entrepreneurship and innovation", the people's entrepreneurial enthusiasm has been fully stimulated. Compared with many entrepreneurs engaged in entrepreneurial activities due to the pressure of survival in the early stage of reform and opening up, more and more entrepreneurs carry diversified entrepreneurial motivations and missions in their entrepreneurship. The traditional dominant logic of constructing organizational boundaries based on economic efficiency rationality can no longer be recognized by the new generation of entrepreneurs adhering to the diversity of identity roles (Tian 2015). In fact, a distinctive feature of entrepreneurship is to give entrepreneurs a kind of autonomy and provide them with a stage to pursue their dreams. Each entrepreneur has a unique understanding of his own identity and shows a behavior pattern consistent with his identity (Fauchart, Gruber, 2011). As entrepreneurial social identity tend to diversify, we can't help but think about whether different identities have an impact on entrepreneurs' decision-making behavior? What kind of performance difference will this impact bring?

In the process of entrepreneurship, identity is considered to be a relatively stable prerequisite, which affects entrepreneurs' organization preferences and their decision-making and actions in the process of entrepreneurial uncertainty and vagueness (Gruz, et al, 2018). Identity theory can explain the reasons behind many entrepreneurs' behaviors, which is of great significance to the practice of entrepreneurship. The current research on entrepreneurial social identity mainly focuses on two aspects: on the one hand, it explains the influencing factors and construction process of entrepreneurial identity, and on the other hand, the influence of entrepreneurial social identity on entrepreneurial behavior and decision-making. However, the shortcoming of the existing research is that the identity of entrepreneurs is determined as a single identity relative to other groups, and the influence of different identity types on behavior differences is not considered (Gruber, Macmillan, 2017). Fauchart and Gruber (Fauchart, Gruber, 2011) divided the identity of entrepreneurs into three different types: Darwinian, Communitarian and Missionary. Grasping the differences of entrepreneurial social identity from multiple dimensions can further help understand the heterogeneity of traditional egoist, altruistic or pro-socialist entrepreneurs' behavior and results in the entrepreneurial process.

This study focuses on the relationship between entrepreneurs' diversified identities, entrepreneurial decision-making logic and entrepreneurial performance, and takes entrepreneurial decision-making logic as an important intermediary variable. The research results show that the identity of Darwinian and Missionary has a significant positive impact on entrepreneurial performance. The identity

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of entrepreneurs will affect the use of entrepreneurial decision-making logic, and different identities will have different decision-making logics. Entrepreneurial decision-making logic positively affects entrepreneurial performance.

2 THEORY AND RESEARCH HYPOTHESIS

2.1 Entrepreneurial Social Identity and Decision-making Logic

For entrepreneurs with a Darwinian identity, they are driven by traditional profit orientation, and their decision-making is mainly based on the establishment of a profitable enterprise. This strong interest in profit motivates them to conduct business activities by studying technical personnel and corporate knowledge in the market in order to develop a competitive new enterprise (Fauchart, Gruber, 2011). This is consistent with the goal-oriented principle in causation, which is to determine in advance a series of goals it hopes to achieve, find and choose methods to achieve the goals, and base decision-making on the evaluation of expected returns (Sarasvathy, et al., 2008). Accordingly, it is proposed that:

Hypothesis 1: Darwinian identity is positively related to decision-making logic. Specifically, when identity is more Darwinian, the decision logic is more causation.

For entrepreneurs with a Communitarian identity, they develop new products based on their own interests and the community's high attention to the product or business field (Gruber, Macmillan, 2017). This process includes collective creative activities before the user community creates the enterprise (Alsos, et al., 2016), they take "who am I" and "what do I know" as the starting point, which is consistent with the experimental principle in effectuation, that is, paying attention to existing resources and methods, and gradually achieving goals in the process of continuous experimentation. Accordingly, we propose that:

Hypothesis 2: Communitarian identity is positively related to decision-making logic. Specifically, when identity is more toward communitarianism, the more the decision logic is toward effect reasoning.

Entrepreneurs with Missionary identity have firm beliefs and are committed to causing changes in certain aspects of society (Fauchart, Gruber, 2011). Although this goal orientation is not equivalent to the traditional benefit orientation, they have a clear understanding of the ultimate goal and focus on what actions they need to take to achieve this goal (Sarasvathy 2001), which is consistent with the goal-oriented principle in causation. In the process of entrepreneurship, entrepreneurs with Missionary identity will focus on starting from the resources at hand under the guidance of goal orientation (Alsos, et al., 2016), and attach great importance to the communication and cooperation with stakeholders, which is consistent with the principle of experimentation and alliance in effectuation. Therefore, we believe that entrepreneurs with Missionary identity are ambiguous in their behavioral preferences. Hence we suggest that:

Hypothesis 3: Missionary identity is positively related to decision-making logic. Specifically, when identity is biased towards Missionary, the more it is biased towards the combined use of two decision-making logics.

2.2 Decision-making Logic and Entrepreneurial Performance

Entrepreneurs who use effectuation can effectively deal with resource constraints and focus on existing resources. In addition, they also try to seek the best results within the range of losses they can afford (Sarasvathy, et al., 2008), which enables enterprises to achieve the best possible results with the resources at hand. Entrepreneurs who adopt causation help new ventures break resource constraints through efficient resource management, and collect information about their competitors and environment in market competition to formulate coping strategies (Sarasvathy 2001). Therefore, the following hypotheses are put forward:

Hypothesis 4: Both effectuation and causation are positively related to entrepreneurial performance.

3 DATE AND METHODS

3.1 Date

The data used in this study are from the Zhejiang Entrepreneurship Observation (2018) project of Zhejiang Gongshang University Zheshang Research Institute. After deleting invalid questionnaires, a total of 533 questionnaires for entrepreneurs were obtained, mainly involving 17 industries including finance, manufacturing, real estate, and information transmission. Among them, 50.3% are male, 78.9%

are between 18 and 40 years old, 88.6% are less than 36 months old, 44.8% have a bachelor's degree, 77.5% have a household income of 100,000-500,000 yuan, and 53.8% are new entrepreneurs.

3.2 Measures

Entrepreneurial performance adopts a 7-point scale, with 1 indicating "much lower than the peer enterprises" and 7 indicating "much higher than the peer enterprises". Other scales adopt a 5-point scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree". The entrepreneurial social identity mainly refers to the scale of Alsos (Alsos 2016), including 9 questions such as "the opportunity to create economic value and personal wealth is an important driving force for me to start a business". Effectuation and Causation, mainly refer to Chandler et al. (Chandler 2011) and Brettel et al. (Brettel 2012) to propose two measurement methods, specifically based on the Chinese scale translated by Qin Jian (Qin 2011). For the measurement of entrepreneurial performance, Murphy et al. (Murphy 1996) adopted the subjective evaluation method with multiple indicators to measure enterprise performance, including the actual return on investment, sales growth, profitability and market share. Entrepreneurial performance may be affected by variables such as the entrepreneur's gender, age, length of entrepreneurship, education, family income, etc. Therefore, the above variables are selected as control variables.

3.3 Reasons for Applying PLS-SEM

First, in the measurement model, the variables "identity" and "effectuation" in this article are constitutive variables. Second, the model is more complex. Therefore, this article conforms to the five-point rule of thumb for applying PLS-SEM, and it is advisable to use the PLS-SEM path modeling method for analysis (Hair, et al., 2012).

4 RESULTS

4.1 Test of Measurement Model

In this study, the combined reliability of effectuation (flexibility, affordable loss, alliance, experimentation), causation and entrepreneurial performance are 0.838, 0.906, 0.8230, 0.837, 0.889 and 0.854, respectively, which are all higher than the base value of 0.70. AVE are 0.564, 0.763, 0.538, 0.632, 0.535, and 0.594, which are all greater than the benchmark value of 0.50. Both showed that the measurement is credible and that the structure of the latent variable can explain at least 50% of the project variability. The load of all items is between 0.7 and 0.9, which are all greater than 0.7, which is within the acceptable range. In addition, the square root of latent variable AVE in this study is greater than the correlation coefficient between latent variables, indicating that the measurement model has good discriminative validity.

According to the suggestion of Hair (Hair 2012), the weight of the constitutive index is greater than 0.2 and significant, and the VIF is less than 10 when checking the collinearity among indicators, indicating that all the constitutive indexes in the model have good validity. In this paper, the weights, VIF and T values of "identity" and "effectuation" all meet the requirements.

The model evaluation of PLS-SEM needs to include the goodness of fit (R^2) indicating the degree of explanation of the independent variable to the dependent variable. In this study, the R^2 of effectuation, causation and entrepreneurial performance are 0.401, 0.255 and 0.273, which have high goodness of fit.

4.2 Hypothetical Test

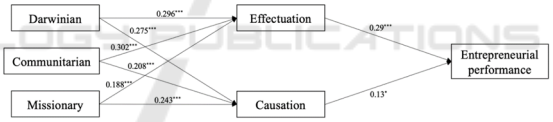

Figure 1: Hypothetical model test results

As shown in Figure 1, the preference for using decision-making logic for different identities shows that Darwinian identity is positively correlated with effectuation (β=0.296, P<0.001) and causation reasoning (β=0.275, P<0.001), partially supporting H1. Communitarian is positively correlated with effectuation (β=0.302, P<0.001) and causation (β=0.208, P<0.001), and the positive relationship between communitarian and effectuation is more significant. H2 is supported. Missionary are positively correlated with effectuation and causation, and there is no significant difference. H3 is supported. Both effectuation (β=0.29, P<0.01) and causation (β=0.13, P<0.05) are positively correlated with entrepreneurial performance, which supports H4.

5 DISCUSSION AND CONCLUSION

This study focuses on the relationship between entrepreneurial social identity, entrepreneurial decision-making logic and entrepreneurial performance, and takes entrepreneurial decision-making logic as an important intermediary variable. The research results show that: (1) The three identities have a positive and significant relationship with effectuation and causation, but the significance test results show Darwinian has no big difference in the two decision-making logics. Communitarian prefers to use effectuation, and missionary prefers to use causation. (2) Whether it is effectuation or causation, it has a positive impact on entrepreneurial performance.

This study makes several important contributions. First, this paper introduces three typical types of entrepreneurial social identity to study how different types of identity affect entrepreneur behavior and performance, and to further understand the heterogeneity of the behavior and results of traditional egoist, altruistic or pro-socialist entrepreneurs in the entrepreneurial process (Gruber and Macmillan 2017). Second, this study also verifies that entrepreneurs explain their actions based on their identity rather than preferences or goals proposed by Sarasvathy and Dew (2005), which enriched the understanding of entrepreneurial behavior and performance heterogeneity. Finally, this study shows that identity difference can influence entrepreneurs' decision-making logic choice preference, which contributes to the further exploration of the antecedent variables of effectuation and causation.

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