

Hauptseminar Entrepreneurship: Entrepreneurial Behavior under uncertainty

Kick-off

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This seminar will be about the uncertainty regulation of entrepreneurs of different social backgrounds

- Entrepreneurs permanently act in an **uncertain environment**, in which they **lack essential information** (Milliken, 1987; Sarasvathy, 2001) to evaluate upcoming opportunities in the entrepreneurial process
- However, entrepreneurs deliberately **choose to bear uncertainties** to exploit attractive opportunities according to their **individual uncertainty preference** (Griffin & Grote, 2020)
- In addition to relatively stable individual uncertainty preferences, people's social background influence their perceived access to problem-solving resources to regulate entrepreneurial uncertainty and possible negative consequences, which could influence their decision to pursue entrepreneurial opportunities
- If we do not take into account both individual preferences and perceived social resources in uncertainty regulation, we are unlikely to interpret behavior under uncertainty correctly.
- In order to clarify how entrepreneurs of different social backgrounds differ in their behavioral approach to uncertainty, we will address the research question of: **How individual uncertainty preferences and social class-dependent perceived resources do influence entrepreneurial behavior under uncertainty?**

General sources of uncertainty in entrepreneurship – Content dimensions (McKelvie et al., 2011)

- All else being equal, more uncertainty leads to decreased willingness for entrepreneurial action, but the source of uncertainty matters during opportunity evaluation → **not all uncertainty is created equally in the eyes of an entrepreneur**
 - Entrepreneurs place different weight or importance on different types of uncertainty depending of content-characteristics of opportunities and business models
- Need to look at a **market side** and a **technology side** in terms of the sources of uncertainty
- **Market-related uncertainties** (uncertain development of customer demand/market)
 - **Technology-related uncertainties** (uncertain development of technology, uncertainty about technological competitive advantage, etc.)
 - **Resource-related uncertainties** (uncertainty of available resources to keep up with new market entrants)

The uncertainty-opportunity nexus (Davidsson et al., 2015)

- The concepts of opportunity evaluation and uncertainty are inseparable. Every new opportunity brings uncertainties that the entrepreneur has to deal with (Shane & Venkataraman, 2000; Vogel, 2016; Davidsson et al., 2015)
- The creation of entrepreneurial **opportunities** is a both iterative and dynamic process, encompassing **learning under conditions of uncertainty** and as a consequence of trial-and-error

Due to **many different indeterminable influences** on the success or failure of an upcoming opportunity, it becomes clear **what an important role uncertainty plays in the evaluation of new opportunities**



regulatory changes, technological breakthroughs, demographic shifts, etc.

Sources of uncertainty during opportunity evaluation (Schaef et al. 2019)

- Determination of the weights that entrepreneurs place on the opportunity characteristics: **gain estimation, loss estimation, perceived feasibility and perceived desirability** in determining attractiveness of uncertain opportunities.
- The 4 dimensions for opportunity evaluation are **independent** and, thus, are **assessed separately**. Gain estimation, loss estimation, perceived desirability, and perceived feasibility **do not necessarily have to relate to one another** in a consistent manner.
- The dimensions are compensatory in producing opportunity attractiveness. That is, a high value on one dimension can make up for a low value on another dimension in determining the overall attractiveness of pursuing an opportunity.

When different entrepreneurs evaluate the same opportunity, their perception of potential gain/loss, desirability and feasibility will differ.

Synthesized model of opportunity evaluation (Schaef et al. 2019)

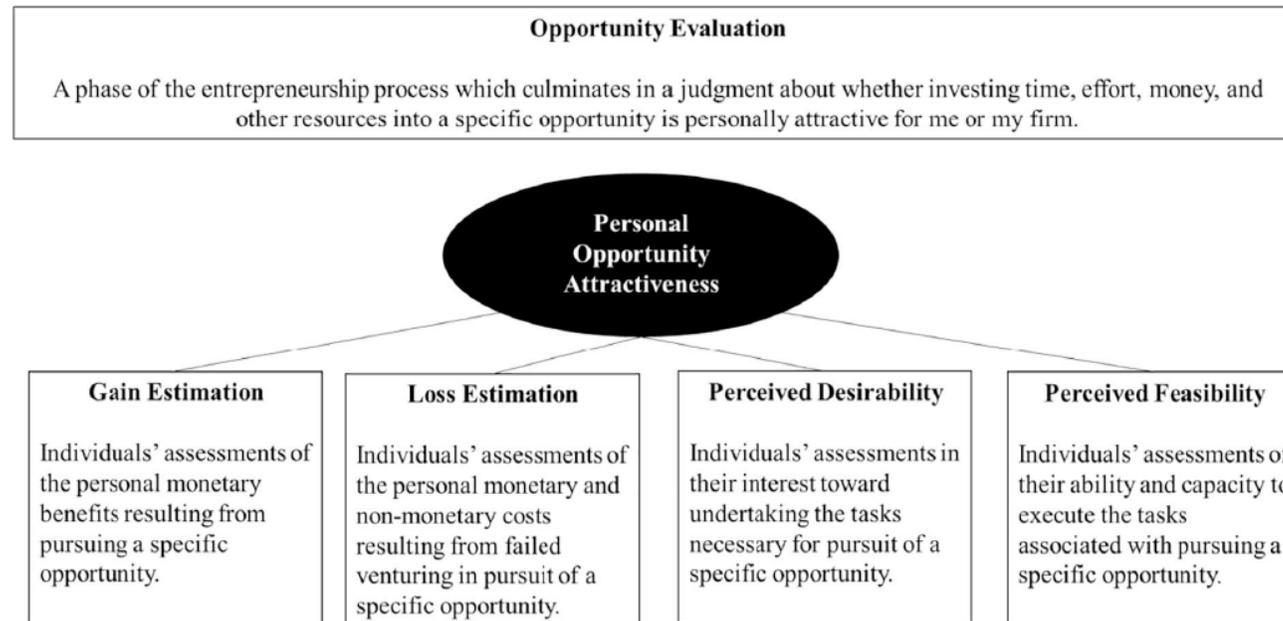


Fig. 1. Synthesized model of opportunity evaluation.