

A comparative study on the trends of entrepreneurial behaviors of enterprises in different strategies: Application of the social cognition theory

W.-B. Lin *

Department of Business Administration, National Formosa University, Huwei county Wen-Hua Rd, No. 64, Yunlin, Taiwan, ROC

Abstract

The influences on entrepreneurial-behavioral trends of environmental uncertainties, decision styles and inter-organizational relations and the differences in the choice of entrepreneurial behaviors among enterprises in different strategic posture from the social cognitive perspective were investigated through empirical study on 86 samples selected from the IC industry with stratified random sampling. Hypotheses were verified with the neural fuzzy set network model. The findings indicated: the more uncertain the environment is, the more rushing startup enterprises tend to be, and the more progressive the conservative enterprises are; and the former concerns are more about market relations than the latter. Moreover, entrepreneurs making decisions intuitively tend to rush entrepreneurial behaviors but those making decisions rationally to progressive entrepreneurial behaviors. By verifying data with the non-linear neural fuzzy set network model and investigating the subject matter with the social cognitive approach through an empirical study on knowledge- and capital-intensive bigger enterprises, this study has revolutionized past studies focusing on labor-intensive SMEs.

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1. Introduction

In the knowledge economy with continuous unexpected change, the challenges faced by the budding entrepreneur and success factors of entrepreneurship have been the studies by academics and practitioners alike. Gartner (1985) believes that to start a new business, the individual, environment, organization and the entrepreneurial journey itself are the four main contributing factors. In his paper, Timmons (1999) wrote about a model for entrepreneurship management. Timmons believed that opportunity is a key factor in the building of a business and that the source of this opportunity generally arises from the external environment. The success of the entrepreneurial effort is due also in no small part to the decision style of the entrepreneur. Decision style can be categorized into rational and emotional decisions, which are greatly different from each other. In addition, the social cognitive theory also emphasizes the interactive relationship

between the individual, environment and behavior (Bandura & Cervone, 1986). Recently, there have been many studies on the impact of decision style or management approach on the performance of a startup business (Allinson et al., 2000; Krueger, 2000; Lee & Tsang, 2001); or the impact of the environment and decision style on the performance of a startup business (Khatri & Ng, 2000). We can therefore deduce that the common factor of the performance of a startup business is decision style. For businesses with different entrepreneurial strategies, there are still many conflicting views and conclusions on the way these respective startup businesses adapt to their environments, structure of the relationships between organizations and the entrepreneurial behavior (Covin, 1991; Karagozoglu & Brown, 1988; Miller, 1983).

Before, most studies on relationships between organizations focused on the interdependence of the internal organization or the relationship of the vertical supply chain (Johnson, 1999; Webster, 1992); and less emphasis was on the impact of the relationship between organizations on entrepreneurial behavior or the entrepreneurial spirit. Timmons (1999) believed that on top of leveraging the opportunity, startup teamwork and resources, the entrepreneur must always make the right changes and choices in different phases of the business startup. Searching for external opportunities for new business helps the

* Tel.: +886 56315775; fax: +886 56313842.

E-mail address: e2667@ms23.hinet.net.

success of a startup business. However, other ways of interaction and relationships among organizations are also the crucial factors of the success and growth of a startup business.

In summary, this study applies the social cognition theory and shows that in addition to the different style of adaptation to environment uncertainty, the decision style of the manager and type and structure of the relationship between organizations are also key factors that impact entrepreneurial behavior. One of the objectives of this study is to understand the impact of the above three factors on entrepreneurial behavior.

In recent years, studies have generally had the following characteristics: (1) most of these studies focused on traditional small- to medium-sized companies. There were relatively few studies conducted on medium to large high tech industries with higher capital intensity. Comparisons between companies with different strategic postures were also rare; (2) most of the studies focused on management theory or strategy to discuss the process of entrepreneurial management. For example, Spinelli and Timmons (2003) pointed out that the factors that impact value creation during the startup process are internal resources, external opportunities and startup team, complemented by communication, leadership and creativity. Social cognition theory and theory of planned behavior (TPB) were rarely applied; (3) the methodology is mostly case analysis or multivariate analysis based on the high volume of responses to our surveys. Less focus was placed on verifying the data with the non-linear fuzzy neural method. In our research, we analyzed the data with the non-linear fuzzy neural method because of the relatively lower error rate, accurate measurement of inter-variant correlation and fewer constraints on application.

Based on the above, our study objectives are:

- (I) Use of the social cognitive theory to study the impact of environment uncertainty, decision style and relationship between organizations on the entrepreneurial behavior.
- (II) Whether different strategic postures applied by companies have varying impact on entrepreneurial behavior intention.
- (III) Use of the non-linear fuzzy neural method to verify the assumptions and analyze the data.

2. Literature review

2.1. Application of the social cognition theory and strategic posture

The social cognition theory highlights personal behavior, individual cognition and the impact of the environment as the three interactive forces. All of these are frequently applied in sociology or psychology. These are generally used to study the interactive impact on individual or group behavior in a social community, pressures of the environment, the cognition of the individual in stimulation or motive etc. For example, the

reasons why an underaged girl may take up smoking could be due to the family environment that she grew up in (members in her family smoke), social environment (the social circle, race, community and peers in her environment do not object to or agree with her action), her motive and attitude towards smoking. Also, Bandura and Cervone (1986) pointed out the self-efficacy concept: a person's ability to control the way they accomplish their work objectives at three levels: (a) magnitude: a person's belief in the level of difficulty in completing a task; (b) strength: the degree of a person's firm belief in accomplishing a certain task; (c) generalizability: if the self-fulfillment of a person is applicable in different situations. Of late, many management domains have applied these theories to explain the behavioral trend of the individual or the company itself, or the actual behavior. For example: Compearu and Higgins (1995) also used this theory to explain the impact on computer technology training. In conclusion, we will use the relationships between the individual, environment and behavior through the social cognition theory to build a framework for our study.

Focusing on the dimension concept of strategic posture, our study uses Covin's (1991) observation that the company's strategic posture is affected by the financial capability (e.g. external source of financial capital, consumer credit status and other variables), sales capabilities (e.g. advertisement, price, product line, product quality and other variables) and production capacity (e.g. effectiveness of the production process, the autonomy of the process and other variables). He derived his conclusion from the study of a sample of 111 small-sized manufacturing companies in the US, categorizing the data as conservative or entrepreneurial based on the different dimensions described above. In our research, we intend to widen the scope of some of these perspectives and apply the measurement of strategic posture advocated by the social cognition theory, focusing on the following key points: (1) the focus of the enterprise on the development of technology for key tasks in the value chain or the sales activities downstream; (2) approach towards the unpredictable competitive environment or industry; (3) the decision cognitive style of the senior management in the enterprise. Since our study focuses on the individual's cognition of entrepreneurial behavior, we have not included the variable of financial functionality.

2.2. Decision style

In the early days, studies on the entrepreneurial spirit were based on Rotter's (1966) opinion that the personality trait of internal–external control was a key factor impacting entrepreneurship. Subsequent studies on whether an entrepreneur was more inclined to a personality trait of internal control than a non-entrepreneur were inconclusive (Carland et al., 1984; Chell et al., 1991). Nevertheless, in assessing the impact of the individual on entrepreneurial behavior, their decision style as well as the innate characteristics of the individual's character was often a topic for discussion. Sadler-Smith (2004) felt that besides categorizing decision style into two types: rationality and intuition, emphasis should also be placed on the small

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