

Entrepreneurial Behaviour

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Entrepreneurial Behaviour: Unveiling the Cognitive and Emotional Aspects of Entrepreneurship

EDITED BY

ANDREA CAPUTO, PH.D.

University of Lincoln, United Kingdom

MASSIMILIANO M. PELLEGRINI, PH.D.

“Tor Vergata” University of Rome, Italy



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2020

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78973-508-6 (Print)

ISBN: 978-1-78973-507-9 (Online)

ISBN: 978-1-78973-509-3 (Epub)



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Andrea Caputo and Massimiliano M. Pellegrini

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Contents

Foreword	<i>xi</i>
About the Editors	<i>xiii</i>
List of Contributors	<i>xv</i>
Acknowledgements	<i>xvii</i>
Chapter 1 Introduction to “The Entrepreneurial Behaviour: Unveiling the Cognitive and Emotional Aspect of Entrepreneurship” <i>Andrea Caputo and Massimiliano M. Pellegrini</i>	<i>1</i>
Chapter 2 Evolving Differently from the Same Set of Pre-conditions: A Qualitative Longitudinal Study of Entrepreneurship and <i>Genius Loci</i> <i>Massimiliano M. Pellegrini, Andrea Caputo, Cristiano Ciappei and Léo-Paul Dana</i>	<i>7</i>
Chapter 3 Entrepreneurship Education and Gamification: An Analysis of Students’ Learning Outcomes <i>Afsaneh Bagheri, Amin Alinezhad and Seyed Mojtaba Sajadi</i>	<i>25</i>
Chapter 4 Narcissism, Machiavellianism and Psychopathy: How Do Displayed Entrepreneurs’ Personality Dark Traits Influence Crowdfunding Success? <i>Simona Leonelli, Francesca Di Pietro and Francesca Masciarelli</i>	<i>41</i>
Chapter 5 Startups, Innovation and Performance: An Empirical Analysis in the Italian Context Using SMAA-S <i>Melita Nicotra, Marco Romano, Ambra Castrogiovanni and Salvatore Corrente</i>	<i>67</i>

Chapter 6 The Target of Entrepreneurial Passion Under the Role of Passion Types and Culture: A Conceptual Framework <i>Ayca Kubra Hizarci-Payne and Ozge Ozgen</i>	91
Chapter 7 The Role of Entrepreneurial Stereotypes for Commercial and Social Startup Intentions <i>Charlott Menke</i>	113
Chapter 8 Uncovering the Role of Commitment in the Entrepreneurial Process: A Research Agenda <i>Laëtitia Gabay-Mariani and Anne-Flore Adam</i>	147
Chapter 9 Developing Creative Virtuosity for Entrepreneurship: Perspectives from Four Arts-based Metaphors <i>Fahri Karakas, Ismail Golgeci and Sally Dibb</i>	171
Chapter 10 The Role of Heuristics and Biases in Entrepreneurial Decision-making When Creativity is a Necessity <i>Sid Hanna Saleh and Richard A. Hunt</i>	191
Chapter 11 Re-visiting Effectuation: The Relationships with Causation, Entrepreneurial Experience, and Innovativeness <i>Virginia Cha, Yi Ruan and Michael Frese</i>	213
Chapter 12 Evaluation of Decision-making in Family Business Mixing Data Based and Socioemotional Wealth Considerations <i>Xileidys Parra, Xavier Tort-Martorell, Fernando Alvarez-Gomez and Carmen Ruiz-Viñals</i>	239
Chapter 13 Cognitive Biases in the Venture Capitalist – Entrepreneur Dyad: The Role of Entrepreneurs’ Experience in VCs’ Investment Decisions <i>Anna Souakri</i>	259
Chapter 14 Why Senior Workers Are Becoming Entrepreneurs: Necessity or Passion? <i>Raquel Ortega-Lapiedra</i>	271
Chapter 15 Gender and Performance: Preliminary Evidences from Italian Innovative SMEs <i>Michela Mari and Sara Poggesi</i>	281

Chapter 16 A Micro-entrepreneur Network as a Community of Practice Boosting Entrepreneurial Activities <i>Anna-Mari Simunaniemi, Riitta Forsten-Astikainen, Kai Hänninen and Matti Muhos</i>	297
Chapter 17 The Evaluative Nature of Entrepreneurial Constraints <i>Aníbal López and Pedro Neves</i>	311
Index	325

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Foreword

The book seeks to establish a framework to investigate how entrepreneurship, entrepreneurial and innovative behaviors cope with the challenges of making choices using several lenses and perspectives. Different chapters integrate into this framework the cognitive, psychological (emotions, passions, and trust), and behavioral processes (negotiations and conflicts) that individuals or entrepreneurial organizations develop when framing their choices. I feel the book succeeded in that effort. The book answers some crucial questions: which cognitive and psychological processes do entrepreneurs and entrepreneurial organizations adopt when framing their choices? In addition to this, which behavioral processes should be developed in order to foster these shared cognitive and emotional meanings?

Traditionally, entrepreneurs and entrepreneurial organizations survive because of their particular cognitive and emotional comprehension of the fit between their business ideas, organization variables, and contingent dimensions. From an entrepreneurial perspective, this cognitive and emotional fit relies on the concept of organizations as social systems, where meanings emerge from the social interactions of individuals.

Three elements characterize a decision-making process: the final choice within several options, the presence of parallel processes that make it simpler than alternatives and the presence of a goal in the decision maker's mental activity when reaching a final decision.

While in entrepreneurial choices the role of the entrepreneur and entrepreneurial organization receives increasing academic attention, the ways in which they make these choices is still a process worthy of investigation. In articulating and refining the specific relationships involved, the book tries to frame the entrepreneurial choices regarding their influences on entrepreneurs' and entrepreneurial organizations' peculiarities, alternatives, and desired results. The main issue linked to the desired results is that, as both individual-centered non-economic and economic goals coexist in entrepreneurial organizations; these organizations may face an idiosyncratic issue in terms of economic maximization and individual satisfaction, given the interplay between the entrepreneur and entrepreneurial system. Thus, the book proposes some answers to a general call for a deeper investigation of all processes and desired results related to entrepreneurial choices. Accordingly, it strives to open up the 'black box' by outlining the entrepreneurial choices made by entrepreneurs and entrepreneurial organizations.

Enjoy the reading!
Prof. Luca Gnan

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About the Editors

Andrea Caputo, PhD, is a Reader in Strategy & Entrepreneurship at the Lincoln International Business School (UK) and a Visiting Professor of International Strategic Management at the University of Trento (Italy). He received his PhD in Management from the University of Rome “Tor Vergata” in 2013. Previously, he was an Assistant Professor at Princess Sumaya University. He has also held visiting positions at several universities, like University of Queensland, George Washington University, University of Seville, Alicante, Pisa, Malta, Macerata and Naples Parthenope. His main research expertise is related to entrepreneurship, strategic management, innovation, negotiation, and decision-making. He has authored more than 450 international publications, including *Human Resources Management Journal*, *Journal of Business Research*, *International Journal of Entrepreneurial Behaviours & Research*, *International Journal of Entrepreneurship & Small Business*, and *Business Process Management Journal*. He is an editor of the book series “Entrepreneurial Behaviour” for Emerald, and the co-chair of the track Entrepreneurial Behaviour and Decision-Making at EURAM.

Massimiliano M. Pellegrini, PhD, is an Associate Professor of Organizational Studies and Entrepreneurship at University of Rome “Tor Vergata.” From the same university, he also received his PhD in 2011. Previously, he was a Senior Lecturer at Roehampton University and he covered several roles as permanent staff at the University of West London and Princess Sumaya University, and visiting staff at the Wharton School, University of Linz, and of Enlarger-Nuremberg. He was the Chair for the Strategic Interest Group of Entrepreneurship (E-ship SIG) at the European Academy of Management (EURAM) until 2018. He published more than 40 contributions focused on entrepreneurial, ethical, and organizational behaviours, for example, *Journal of Business Ethics*, *Journal of Managerial Psychology*, *International Journal of Entrepreneurial Behaviours & Research*, *International Journal of Entrepreneurship & Small Business*, and *Business Process Management Journal*. He is also an editor of the book series “Entrepreneurial Behaviour” for Emerald.

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Cizhi Wang, Capital University of Business and Economics

List of Contributors

Anne-Flore Adam	<i>Entrepreneurship Research Centre – EM Lyon, France</i>
Amin Alinezhad	<i>University of Tehran, Iran</i>
Fernando Alvarez-Gomez	<i>Universitat Oberta de Catalunya, Spain</i>
Afsaneh Bagheri	<i>University of Tehran, Iran</i>
Andrea Caputo	<i>University of Lincoln, UK</i>
Ambra Castrogiovanni	<i>University of Catania, Spain</i>
Virginia Cha	<i>National University of Singapore, Singapore</i>
Cristiano Ciappei	<i>University of Florence, Italy</i>
Salvatore Corrente	<i>University of Catania, Spain</i>
Léo-Paul Dana	<i>Dalhousie University, France</i>
Francesca Di Pietro	<i>Trinity College Dublin, UK</i>
Sally Dibb	<i>Coventry University, UK</i>
Riitta Forsten-Astikainen	<i>University of Oulu, Finland</i>
Michael Frese	<i>National University of Singapore, Singapore</i>
Laëtitia Gabay-Mariani	<i>CERAG - Grenoble-Alpes University Switzerland</i>
Ismail Golgeci	<i>Aarhus University, Denmark</i>
Kai Hänninen	<i>University of Oulu, Finland</i>
Ayca Kubra Hizarci-Payne	<i>Dokuz Eylul University, Turkey</i>
Richard A. Hunt	<i>Virginia Polytechnic Institute, USA</i>
Fahri Karakas	<i>University of East Anglia, UK</i>
Simona Leonelli	<i>University of Padova, Italy</i>
Aníbal López	<i>Nova School of Business and Economics, Portugal</i>
Michela Mari	<i>“Tor Vergata” University of Rome, Italy</i>
Francesca Masciarelli	<i>“G. d’Annunzio” University, Italy</i>
Charlott Menke	<i>Fraunhofer Center for International Management and Knowledge Economy IMW, Germany</i>
Matti Muhos	<i>University of Oulu, Finland</i>
Melita Nicotra	<i>University of Catania, Spain</i>
Pedro Neves	<i>Nova School of Business and Economics, Portugal</i>
Raquel Ortega-Lapiedra	<i>University of Zaragoza, Spain</i>
Ozge Ozgen	<i>Dokuz Eylul University, Turkey</i>
Xileidys Parra	<i>Universitat Politècnica de Catalunya, Spain</i>
Massimiliano M. Pellegrini	<i>“Tor Vergata” University of Rome, Italy</i>
Sara Poggesi	<i>“Tor Vergata” University of Rome, Italy</i>

xvi *List of Contributors*

Marco Romano	<i>University of Catania, Spain</i>
Yi Ruan	<i>University of Nottingham-Ningbo, China</i>
Carmen Ruiz-Viñals	<i>Universitat Abat Oliba CEU, Spain</i>
Seyed Mojtaba Sajadi	<i>University of Tehran, Iran</i>
Sid Hanna Saleh	<i>Colorado School of Mines, USA</i>
Anna-Mari Simunaniemi	<i>University of Oulu, Finland</i>
Anna Souakri	<i>ESCP Europe, France</i>
Xavier Tort-Martorell	<i>Universitat Politècnica de Catalunya, Spain</i>

Acknowledgements

We would like to deeply thank all the friends and colleagues who were involved in the production of this edited book. In particular, special thanks go to all contributing authors for being interested in participating in this ambitious project and for delivering such high quality manuscripts in a timely fashion. We would also like to explicitly thank all the reviewers who assisted us and took part in reviewing the manuscripts published in this book. Moreover, we would like to express our gratitude to the European Academy of Management community and the SIG of Entrepreneurship's scholars, who supported this project during its development.

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Chapter 1

Introduction to “The Entrepreneurial Behaviour: Unveiling the Cognitive and Emotional Aspect of Entrepreneurship”

Andrea Caputo and Massimiliano M. Pellegrini

Abstract

This chapter introduces the content of the book, presenting the key insights from the contributed chapters.

Keywords: Entrepreneurship; Decision-making; cognition; entrepreneurial decisions; entrepreneurial behaviour; entrepreneurial passion

This edited collection follows a previous volume, titled *The Anatomy of Entrepreneurial Decisions* (Caputo & Pellegrini, 2019), in providing a springboard for scholarly research interested in the investigation of the behaviors and decision-making processes of entrepreneurs. In particular, this edited collection fits into a wider research effort to foster the understanding of the nature and impact of decisions made in entrepreneurial contexts, and aims to contribute to answering the call for studies in this field by Shepherd, Williams & Patzelt (2015).

The book initially originated from an idea based on our joint research interests in entrepreneurship (e.g., Caputo, 2013, 2014; Caputo et al., 2016; Dabić et al., 2019; Mehtap, Pellegrini, Caputo, & Welsh, 2017; Rialti, Pellegrini, Caputo, & Dabic, 2017) that followed in the proposal of a standing track at the European Academy of Management Annual Conference, within the SIG of Entrepreneurship, titled “Entrepreneurial Decision Making and Behaviour,” which keeps attracting a large number of novel and cutting-edge research articles.

By opening the call for chapters to several audiences beyond the EURAM Conference, we were able to gather a large number of high-quality contributions from all over the world.

Entrepreneurial Behaviour:

Unveiling the Cognitive and Emotional Aspects of Entrepreneurship, 1–5

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doi:[10.1108/978-1-78973-507-920201003](https://doi.org/10.1108/978-1-78973-507-920201003)

In the call for chapters of this edited book, we called for scholars to submit empirical, theoretical, and review papers, which try to bridge the literature on entrepreneurship, entrepreneurial and innovative behaviors with decision-making and negotiation.

In particular, we originally proposed three particular broad areas that deserve research attention:

1. Entrepreneurial Emotions, Passion and Trust
2. Entrepreneurial Cognition and Decision-making processes
3. Entrepreneurship, Negotiation and Conflict Management

Every chapter that the reader will read in this book has undergone a thorough double-blind peer-review process. It started with authors submitting a chapter's proposals in April 2019, which was reviewed and then authors were invited to submit a full chapter by July 2019. Chapters were then reviewed and finalized by the end of 2019.

We hope that this book offers the reader with contemporary and high-quality research investigating the anatomy of entrepreneurial decisions.

Structure of the Book

The book is composed of 16 contributed chapters from 41 scholars, where entrepreneurial behaviour, intended as both the behaviour of entrepreneurs, to-be entrepreneurs, or entrepreneurial ventures, is investigated through a variety of lenses.

Following this introductory chapter, in Chapter 2, titled “Evolving Differently from the Same Set of Pre-conditions: A Qualitative Longitudinal Study of Entrepreneurship and *Genius Loci*,” Pellegrini, Caputo, Ciappei and Dana present a qualitative longitudinal study that analyses how entrepreneurs of a same district, thus dealing with similar sets of resources and accesses to market, respond to innovation pressure. Interesting findings show that despite equal pre-conditions, firms evolve differently due to their approach to pursuing opportunities, based on network configurations and cognitive interpretations of internal support for implementation.

In Chapter 3, titled “Entrepreneurship Education and Gamification: An Analysis of Students’ Learning Outcomes,” Bagheri, Alinezhad and Sajadi present a systematic literature review to examine 80 papers on the intersection between gamification and entrepreneurship education. Indeed, the study of gamification in managerial and entrepreneurial context is a new and important area of research (Silic, Marzi, Caputo, & Bal, 2020).

In Chapter 4, titled “Narcissism, Machiavellianism and Psychopathy: How Do Displayed Entrepreneurs’ Personality Dark Traits Influence Crowdfunding Success?” Leonelli, Di Pietro and Masciarelli investigate how the crowdfunding campaigns reflect the personality traits of the entrepreneurs influencing the chances of a successful fundraising. Focusing on three different entrepreneurs’ personality dark traits, narcissism, machiavellianism and psychopathy, the authors

found an inverted U-shape relationship between entrepreneurs' narcissism and the crowdfunding success. Entrepreneurs' psychopathy has a negative linear relationship with crowdfunding success.

In Chapter 5, titled "Startups, Innovation and Performance: An Empirical Analysis in the Italian Context Using SMAA-S," Nicotra, Romano, Castrogiovanni and Corrente investigates the impact of the Italian Growth Decree 2.0 in promoting the establishment and the growth of new innovative startups with a high technological value.

In Chapter 6, titled "The Target of Entrepreneurial Passion Under the Role of Passion Types and Culture: A Conceptual Framework," Hizarci-Payne and Ozgen present a holistic perspective by investigating how passion types can have a role on entrepreneurs' target of passion with the integration of Hofstede's cultural dimensions. Building upon a conceptual framework, the authors propose major propositions to provide a comprehensive understanding of entrepreneurial passion and targets of passion.

In Chapter 7, titled "The Role of Entrepreneurial Stereotypes for Commercial and Social Startup Intentions," Menke bridges different fields of research by combining theories on entrepreneurial intent, self-esteem, and stereotypes. Arguing that in situations of insufficient information individuals assess prospective careers in commercial and social entrepreneurship by means of stereotypes, the author explores the influence of commercial and social entrepreneurial stereotypes on an individual's intention to start a commercial (for-profit) or social (not for-profit) venture.

In Chapter 8, titled "Uncovering the Role of Commitment in the Entrepreneurial Process: A Research Agenda," Gabay-Mariani and Adam seek to advance ongoing research concerning entrepreneurial commitment. The work explores how the three-component model of commitment (TCM) could be specifically adapted for emerging organizations, drawing on its main evolutions and re-conceptualizations since the 1990s.

In Chapter 9, titled "Developing Creative Virtuosities for Entrepreneurship: Perspectives from Four Arts-based Metaphors" Karakas, Golgeci and Dibb use reflexive praxis to advance a framework for developing creative virtuosities for entrepreneurs based on four interrelated aspects: finding their own voice and passion at work; unleashing creativity and imagination at work; working collaboratively towards innovation; and handling complexity and integrative thinking. The chapter posits that the four virtuosities can provide entrepreneurs with a sound basis and a wealth of knowledge on developing creative solutions to new socioeconomic challenges of prospective radical technological and economic changes.

In Chapter 10, titled "The Role of Heuristics and Biases in Entrepreneurial Decision-making When Creativity Is a Necessity," by Saleh and Hunt answer [Shepherd et al. \(2015\)](#) call for research into how entrepreneurs leverage heuristics and biases in decision-making and the benefits they gain as a result. The work explores how entrepreneurs introduce heuristics and biases at different stages of their decision-making process using a qualitative study of 21 new ventures. The results attest to entrepreneurs' ingenuity and creativity in managing complexity, ambiguity and uncertainty.

In Chapter 11, titled “Re-visiting Effectuation: The Relationships with Causation, Entrepreneurial Experience, and Innovativeness,” Cha, Ruan and Frese study the four independent dimensions of effectuation and their relationships with causation. Studying 171 practising entrepreneurs, the authors found that they rely on causation as well as effectuation in their decision-making. In particular, the more experienced entrepreneurs are, the more they actually use causation; and entrepreneurial experience moderates the relationship between effectuation and innovativeness of the venture firm.

In Chapter 12, titled “Evaluation of Decision Making in Family Business Mixing Data Based and Socioemotional Wealth Considerations,” Parra, Tort-Martorell, Alvarez-Gomez and Ruiz-Viñals expand their previous model “Circumplex Hierarchical Representation of Organisation Maturity Assessment” (CHROMA) to investigate decision-making processes of small and medium-sized family businesses. The work explores attributes that can be introduced into a new dimension in the CHROMA model in order to make it more specific in the analysis of DMPs of family businesses regardless of size.

In Chapter 13, titled “Cognitive Biases in the Venture Capitalist – Entrepreneur Dyad: The Role of Entrepreneurs’ Experience in VCs’ Investment Decisions,” Souakri answers the research question: how do the entrepreneurial experiences of both VCs and entrepreneurs interact and bias the evaluation? The author provides research-based information on the role human capital characteristics related to an entrepreneurial experience play in screening decisions and may act as a signal of quality of new ventures to VCs and then determine the follow-on stages of the assessment process.

In Chapter 14, titled “Why Senior Workers Becoming Entrepreneurs. Necessity or Passion?” Ortega-Lapedra reflects on what leads the group of so-called senior entrepreneurs to start a new work-life based on entrepreneurship or self-employment, and to what extent we must consider firm performance as the variable on which the decision to undertake is pivoted.

In Chapter 15, titled “Gender and Performance: Preliminary Evidences from Italian Innovative SMEs,” Mari and Poggesi study the impact of gender on Italian innovative SMEs’ performance.

In Chapter 16, titled “A Micro-entrepreneur Network as a Community of Practice Boosting Entrepreneurial Activities,” Simunaniemi, Forsten-Astikainen, Hänninen and Muhos adopt a case study to describe practices in a micro-entrepreneur peer-to-peer network (MicroENTRE network), an example of a community of practice (CoP) where entrepreneurs, researchers and local public business advisory services (PBAS) seek to promote entrepreneurial behaviour through joint activities, such as sharing ideas, peer learning and business development.

In Chapter 17, titled “The Evaluative Nature of Entrepreneurial Constraints,” Lopez and Neves explore the evaluative nature of entrepreneurial constraints. Stemming from the cognitive appraisal framework the authors argue that distinct appraisals of a same entrepreneurial-constraint will be associated with distinct degrees of effort from entrepreneurs, offering a novel framework for entrepreneurship scholars to study the nuanced effect of entrepreneurial constraints on entrepreneurs’ behaviour.

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Chapter 2

Evolving Differently from the Same Set of Pre-conditions: A Qualitative Longitudinal Study of Entrepreneurship and *Genius Loci*

*Massimiliano M. Pellegrini, Andrea Caputo,
Cristiano Ciappei and Léo-Paul Dana*

Abstract

This chapter analyzes how entrepreneurs of a same district, thus dealing with similar sets of resources and accesses to market, respond to innovation pressure. Spread over five-year period from 2010 to 2014, this is a longitudinal qualitative multiple case studies conducted in Italy's Prato textile district, near Florence. The authors adopted a content analysis to reconstruct the perceptions about innovation trajectories adopted by a sample of entrepreneurs. Our findings show that despite equal pre-conditions, we observe firms evolving differently due to their approach to pursuing opportunities, based on network configurations and cognitive interpretations of internal support for implementation. This chapter develops an interpretation of the findings adopting a framework based on the effect of strong and weak ties and a cognitive approach based on an effectual or causal entrepreneurial decision-making.

Keywords: Network; contextualization; genius loci; effectuation/causal approach; strong ties; weak ties

1. Introduction

Networks are considered as social *loci* of interactions during a firm's start-up phase and later in the established phase (Borgatti & Foster, 2003; Maase & Bossink, 2010) and are fundamental for the development and growth of entrepreneurial ventures (Anderson, Drakopoulou-Dodd, & Jack, 2010). Adopting a *lens omnibus*,

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Unveiling the Cognitive and Emotional Aspects of Entrepreneurship, 7–24

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doi:[10.1108/978-1-78973-507-920201004](https://doi.org/10.1108/978-1-78973-507-920201004)

our chapter aims to approach such networks considering the spatial borders and their cultural context a pre-condition to entrepreneurship (Welter, 2011).

With regards to networks, industrial districts are a particular configuration that offers means and resources in terms of multiple dimensions, including suppliers, production knowledge, a trained or experienced workforce, and infrastructure (e.g., Obadić, 2013). Regardless pursued strategies and achieved goals, firms belonging to a district experience similar contextual conditions that may ease comparisons for their evolutionary paths. Common surroundings can reduce the firms' performance differential due to external variance not ascribable to firms' internal conditions.

Becattini (1990, p. 38) defined an industrial district as a socio-territorial entity constituted by a population of firms dedicated to a specific production and a community that is closely coupled with it. We focused our attention to the fashion and textile district of Prato, considered one of the archetypal industrial districts in the Marshallian sense (Becattini, 1990). In a district context, the social capital effect and relational management become the life blood of the firm (Becattini, 1990); this particular district has faced a drastic shrinking due to new challenges and underwent a dynamic adaptation (De Ottati, 2009; Obadić, 2013). Our main research question is: *How do entrepreneurs deal with a set of given conditions conferred by the genius loci of their spatial environment?* Multiple in-depth qualitative case studies were carried out (as per Yin, 2003), in order to follow their innovation path over time. Commonalities and dissimilarities among the analyzed paths make up our analysis.

Our results show specific patterns of evolution are related to cognitive responses of entrepreneurs to innovation and their sense for opportunities. As previous research pointed out, entrepreneurs follow either an effectual paradigm or a causal paradigm (Sarvasvathy & Dew, 2005, Sarvasvathy, Dew, Read, & Wiltbank, 2008). The former approach defines the entrepreneurial action as a result of the situational contingency in which entrepreneurs are embedded; in particular, the personal condition of the entrepreneur drives the search for committed stakeholders, in a path of uncertain evolution based on means. The latter, instead, highlights the importance of purposes posed during the opportunities' recognition phase. In the stories we collected, recurrent elements are planning of action, with reference to innovation adoption, and adaptation of the firm to the environment (e.g., Miller, 1983). We interpreted our results using a metaphor of an ecosystem such as a reef. *Effectual entrepreneurs* are able to transform their environments, while *causal entrepreneurs* adapt to the condition of the environment. The latter can be seen as sponges, the former as corals.

2. Theoretical Background

2.1. Social Networks

The social dimension, in terms of networks and relationships, has been always recognized as crucial for entrepreneurship (Anderson et al., 2010). Former studies demonstrated how personal networks have a significant influence on venture