

Investigating the Impact of Individual Risk-Willingness and Group-Interaction Effects on Business Model Innovation Decisions

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Abstract : Today's volatile environment challenges executives to make the right strategic decisions to gain sustainable success. Entrepreneurship scholars postulate mainly positive effects of environmental changes on entrepreneurship behavior, such as developing new business opportunities, promoting ingenuity, and the satisfaction of resource voids. A strategic solution approach to overcome threatening environmental changes and catch new business opportunities is business model innovation (BMI). Although this research stream has gained further importance in the last decade, BMI research is still insufficient. Especially BMI barriers, such as inefficient strategic decision-making processes, need to be identified. Strategic decisions strongly impact organizational future and are, therefore, usually made in groups. Although groups draw on a more extensive information base than single individuals, group-interaction effects can influence the decision-making process - in a favorable but also unfavorable way. Decisions are characterized by uncertainty and risk, whereby their intensity is perceived individually differently. Individual risk-willingness influences which option humans choose. The special nature of strategic decisions, such as in BMI processes, is that these decisions are not made individually but in groups due to their high organizational scope. These groups consist of different personalities whose individual risk-willingness can vary considerably. It is known from group decision theory that these individuals influence each other, observable in different group-interaction effects. The following research questions arise: i) Which impact has the individual risk-willingness on BMI decisions? And ii) how do group interaction effects impact BMI decisions? After conducting 26 in-depth interviews with executives from the manufacturing industry, the applied Gioia methodology reveals the following results: i) Risk-averse decision-makers have an increased need to be guided by facts. The more information available to them, the lower they perceive uncertainty and the more willing they are to pursue a specific decision option. However, the results also show that social interaction does not change the individual risk-willingness in the decision-making process. ii) Generally, it could be observed that during BMI decisions, group interaction is primarily beneficial to increase the group's information base for making good decisions, less than for social interaction. Further, decision-makers mainly focus on information available to all decision-makers in the team but less on personal knowledge. This work contributes to strategic decision-making literature twofold. First, it gives insights into how group-interaction effects influence an organization's strategic BMI decision-making. Second, it enriches risk-management research by highlighting how individual risk-willingness impacts organizational strategic decision-making. To date, it was known in BMI research that risk aversion would be an internal BMI barrier. However, with this study, it becomes clear that it is not risk aversion that inhibits BMI. Instead, the lack of information prevents risk-averse decision-makers from choosing a riskier option. Simultaneously, results show that risk-averse decision-makers are not easily carried away by the higher risk-willingness of their team members. Instead, they use social interaction to gather missing information. Therefore, executives need to provide sufficient information to all decision-makers to catch promising business opportunities.

Keywords : business model innovation, decision-making, group biases, group decisions, group-interaction effects, risk-willingness

Conference Title : ICMDMT 2022 : International Conference on Managerial Decision Making and Techniques

Conference Location : Helsinki, Finland

Conference Dates : July 19-20, 2022