

Moderators of the Relationship between Entrepreneurial Self-Efficacy and Expected Firm Growth

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Abstract : In this article, we seek to answer why many attempts to empirically link entrepreneurial self-efficacy to growth expectations have failed. While doing so, we reconcile the literature on entrepreneurial self-efficacy and overconfidence. By analyzing GEM APS (Global Entrepreneurship Monitor Adult Population Survey) data, we show that early-stage entrepreneurs' self-efficacy statements are systematically inflated. Our results also indicate that entrepreneurial overconfidence is fading and its form changes as business owners learn and gather experience. In addition, by using Ajzen's Theory of Planned Behavior (2006) as a modeling framework, we illustrate that early stage business owners' overconfidence results in overly high firm growth expectations. However, the changes in the form of overconfidence and the adjustments of expectations on market conditions as a venture ages alter the relationship between overconfidence and growth expectations across the business life-cycle stages. Overall, our study empirically links young entrepreneurs' overconfidence to their growth expectations at the firm level. This link is important to establish as expected growth was linked to realized growth both on micro and macro levels. Moreover, we detected several moderators of this relationship providing a potential answer to why many studies failed to link entrepreneurial self-efficacy to growth expectations.

Keywords : self-efficacy, overconfidence, entrepreneurship, expected growth

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