

## **Business-owners' Embeddedness**

Debora Eflina Purba, Erasmus University Rotterdam (SRA 2012-2)

The purpose of the short visit to Ohio University was to develop a measure of job embeddedness for business owners, supervised by a professor with a strong background in retention programs (Prof. Dr. Rodger W. Griffeth). While job embeddedness for employees is considered a living variable by some job embeddedness scholars, as far as I know there is no scale available on job embeddedness for business owners. Since the nature of working of employees and business owners is different from each other, the nature of embeddedness is also assumed different. Employees who do not like to work in an organization after some period of time are easily able to leave the organization and search for another that fits to their values. Unlike employees, a business is something that is invaluable to the business owner, that it takes more than 100 reasons to leave it. Therefore, the decision making to quit business on the part of business owners is much more difficult than employee is. Furthermore, the nature of embeddedness for business owners in rural and city areas is also different from each other. For rural business owners, being embedded within the local community is more important than for city business owners. Therefore, the scale developed should be applicable to both kinds of business owners.

In the past, studies on entrepreneurship were divided into two approaches: individual-centric and environment-centric (Shane, 2003). Research in entrepreneurial psychology tends to take individual approach, and as a result the study of entrepreneurship was all about the study of the personality of the business owners. Shane (2003) emphasize entrepreneurship cannot be explained either from the perspective of environmental forces or individual factors in the absence of the others. Therefore, it is the purpose of this paper as to combine the two perspectives into one concept: business owner embeddedness.

According to many authors, entrepreneurship is a 'local' event and strongly 'rooted' in place (e.g., Dahl & Sorenson, 2009; Feldman, Francis, & Bercovitz (2005); Stam, 2007). While employee embeddedness in the organization is mostly stressed on how they experience fit between their values and organization's value, links they have at work, and how they perceive things they have to forgo if they leave the organization, business embeddedness is stressed on how they experience fit within their community, links they have in and outside the community, and things that they have to forfeit if they quit their business. Granovetter (1973) on the other hand, introduced the concept of strong and weak ties in embeddedness. The strong ties concept between individuals and groups (e.g. employees, business associates, friends) stabilizes relationships in the business, and weak ties among those less frequently in contact with the business owners are important in adding new information and new dimensions to the business.

From the cross-cultural perspective, Hofstede (1980) found that the people of western societies tend to be individualistic, and Asian cultures tend to be collectivistic in value. People in individualistic societies tend to focus more on personal goals and view work and family as different entities, whereas people in collectivistic societies view group goals are more important than individual goals (Triandis, McCusker, & Hui, 1990), and they view work as a fulfillment of family obligation. Perhaps from the concept of collectivism and people at work, born the concept of work-family spillover that also

covers spillover from family to work (Crouter, 1984). Grzywacz (2000) conducted a study on work-family spillover using Crouter's four dimensions of work-family spillover, in which he used ecological theory to explain individual health and well-being. According to ecological theory, individual and environmental factors, as well as the quality of fit between the individual and his or her environment, shape health-related outcomes. The work-family spillover provides examples of quality of fit indicators.

Based on the Mitchell and Lee's (2001) work of employee's job embeddedness and the concept of work-family spillover, we develop a 4-dimensions of business-owner embeddedness, consisting of: (1) business-owner organizational embeddedness (fit, link and sacrifice), (2) business-owner community embeddedness (fit, link, and sacrifice), (3) business-owner's family organizational embeddedness (fit, link, and sacrifice), and (4) business-owner's family community embeddedness (fit, link, and sacrifice). An item example of each of the facets are:

(1) Business-owner organizational embeddedness:

- *This business provides me with a way of life that suits me* (fit facet),
- *I discuss non-business related problems with my business associates* (link facet)
- *I would lose everything I have built if I left the business* (sacrifice facet)

(2) Business-owner community embeddedness:

- *The area where I live right now is suitable for me* (fit facet)
- *I have strong ties around the community where I live* (link facet)
- *Leaving the area where I live now would mean many personal sacrifices* (sacrifice facet)

(3) Business-owner's family organizational embeddedness:

- *My family believes I have a good future in this business* (fit facet)
- *My family interacts frequently with my employees* (link facet)
- *My family would not mind if I left the business (reversed coded)* (sacrifice facet)

(4) Business-owner's family community embeddedness:

- *My family values fit into the values of the community* (fit facet)
- *Most of my employees come from the neighborhood* (link facet)
- *My family would sacrifice our friendship with neighbors if we leave the area* (sacrifice facet)

One important thing I learned from my visit is the concept of employee's withdrawal state (reluctant vs enthusiastic stayers and reluctant vs enthusiastic leavers) which Prof. Griffeth is developing for employees in organizations. The concept is able to be transformed in business owners in the form of reluctant vs enthusiastic business owners. Passion plays an important part of the concept "enthusiastics", which is lacked in "reluctance". Vallerand et al. defined passion as "a strong inclination toward an activity that people like [affective], that they find important [cognitive], and in which they invest time and energy [behavioral]" (2003: 756). Passion is a strong indicator of how motivated a business owner is in doing their business, whether one is likely to continue pursuing goals when confronted with difficulties, how well one articulates the vision to employees and business relations, and whether one will be able to influence, persuade, and lead people in growing the venture (Vallerand et al., 2003). Item examples of each subscales of enthusiastic and

reluctant business owners are: *I am willing to spend hours of my day try to find ways to develop my business* (enthusiastics), and *I will keep the business only if my family helps* (reluctant).

In developing the job embeddedness and reluctant vs enthusiastic scales for business owners, we conducted small group discussions with graduate students to elicit responses relating to what makes a business owner stays in the business. From the discussions, we developed items pertaining to the dimensions of business-owner's embeddedness and items relevant to reluctant vs enthusiastic scale. Afterwards we approached several business owners in Athens, Ohio. We asked the business owners which of the items relevant to them. After sometimes, we build a new scale based on the input we got from them. We are going to develop an online survey to US business owners to validate the scale in the US. Since the main purpose is to develop the scale to be used in Indonesia for the next study in my dissertation, I am going to validate the scales in city and rural areas of Indonesia.

#### References:

- Crouter, A. C. (1984). Spillover from family to work: The neglected side of the work-family interface. *Human Relations, 37*, 425-442.
- Dahl, M. S. & Sorenson, O. (2009). The embedded entrepreneur. *European Management Review, 6*, 172-181.
- Feldman, M. P., Francis, J., & Bercovitz, J. (2005). Creating a cluster while building a firm: Entrepreneurs and the formation of industrial clusters. *Regional studies, 39*, 129-141.
- Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology, 78*, 1360-1280.
- Grzywacz, J. G. (2000). Work-family spillover and health during midlife: Is managing conflict everything? *American Journal of Health Promotion, 14*, 236-243.
- Hofstede, G. (1980). *Culture's consequences: International differences in work-related values*. Beverly Hills, CA: Sage Publications.
- Mitchell, T. R., & Lee, T. W. (2001). The unfolding model of voluntary turnover and embeddedness: Foundations for a comprehensive theory of attachment. In B. M. Staw & R. I. Sutton (Eds.), *Research in organizational behavior, 23*: 189–246. Greenwich, CT: JAI Press.
- Shane, S. A. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Cheltenham, UK: Edward Elgar Publishing.
- Stam, E. (2007). Why butterflies don't leave: Locational behavior of entrepreneurial firms. *Economic geography, 83*, 27-50.
- Triandis, H. C., McCusker, C., & Hui, C. H. (1990). Multimethod probes of individualism and collectivism. *Journal of Personality and Social Psychology, 59*, 1006-1020.
- Vallerand, R. J., Blanchard, C., Mageau, G. A., Koestner, R., Ratelle, C., Le' onard, M., Gagne', M., & Marsolais, J. 2003. Les passions de l'ame: On obsessive and harmonious passion. *Journal of Personality and Social Psychology, 85*, 756–767.