Entrepreneurs need to balance risk of persisting with payoff of succeeding

EurekAlert!

In a new business, sometimes the better part of wisdom is knowing when to quit, a new study concludes.

Even though persistence is a key to business success, entrepreneurs might be more successful if they not only knew when to start a business and take risks, but also knew when to abandon it and find something that provides a greater opportunity, researchers said.

It may be human nature to want to make an idea work, but it can also be a poor business decision to stay wedded to an idea if the evidence suggests it's not working as well as another potential opportunity.

"Entrepreneurs need to balance that desire to persist, which is in fact what often makes someone a successful entrepreneur, with the ability to sense when it is time to walk away," said Bobby Garrett Jr., an assistant professor of entrepreneurship at Oregon State University and co-author of the study.

The results are published online in the *International Small Business Journal*. Garrett and lead author Daniel Holland of Utah State University analyzed the decision-making process of 135 entrepreneurs in high-tech industries. They found that even when confronted with another business opportunity that could yield successful results, many entrepreneurs resisted quitting their current venture.

"It's escalation of commitment," Garrett said. "When an entrepreneur has invested resources into a new business, they have difficulty letting go even when things go south or another opportunity arises."

Garrett likens this psychology to a casino mentality.

"Someone who has spent one hour at the roulette table may think, 'If I just stick with it, I can win,'" he said. "An entrepreneur's thought process is not dissimilar to this."

However, that same doggedness is also what makes entrepreneurs successful. In the field of entrepreneurship, Garrett said this is called "entrepreneurial resilience."

"Everyone knows that entrepreneurs often fail," he said. "That same persistence, and ability to keep trying against the odds, is also an admirable trait, especially when that persistence pays off."

In their study, the researchers recommend that any potential entrepreneur keep the

risk versus reward of any venture in mind, and evaluate the chances that their start-up may succeed.

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