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Entrepreneurship in times of economic stress: unraveling the U-shaped relationship between the internality of causal attributions and growth

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Abstract

Purpose – This paper examines the relationship between entrepreneurs' internality of causal attributions and firm growth during an economic crisis. We propose a U-shaped relationship between the two variables, arguing that the highest-growth entrepreneurs are those with either the highest or lowest levels of internal attribution (IA) during such periods.

Design/methodology/approach – To test our hypothesis, we analyze a database of 804 interviews with entrepreneurs in Brazil during a period of economic stress. Due to the existence of endogeneity, we estimate a model of simultaneous equations in two stages.

Findings – We find evidence of a U-shaped relationship. This means that during economic stress, the fastest-growing entrepreneurs are those who rely more on their own effort (high IA) and those who attribute their success to the economic crisis (low IA).

Practical implications – Tailoring interventions based on attribution patterns and recognizing the U-shaped relationship ensures effective support during economic stress. Entrepreneurial support programs should align with internality levels, emphasizing external awareness or skill development accordingly. Policymakers should take attributions into account when promoting financial resilience. Entrepreneurs would benefit from awareness programs on attributions for reflective decision-making. Ecosystems should foster collaboration by recognizing diverse attributions, enhancing a collective understanding of entrepreneurial responses in crises.

Originality/value – Our results have important implications for understanding the role of entrepreneurs in economic crises. Our results are relevant because they challenge the usual claim that entrepreneurs with high IA are the ones who perform better in situations where external economic conditions are adverse.

Keywords Causal attribution, Firm growth, Economic crisis, Nonlinearity

Paper type Research paper

1. Introduction

Even prior to the onset of the COVID-19 crisis, research on entrepreneurship during times of crisis and the corresponding resilience of entrepreneurs has gained significant momentum in recent years (Doern *et al.*, 2019; Korber and McNaughton, 2018; Kuckertz *et al.*, 2020; Lee *et al.*, 2023b; Pattinson and Cunningham, 2022; Saridakis, 2012; Shepherd and Williams, 2020; Thorgren and Williams, 2020). Some authors have focused on how entrepreneurial activity is influenced by war (Bullough *et al.*, 2014; Kwong *et al.*, 2018) and spasms of urban violence (Doern, 2016). Others have devoted attention to the influence of natural disasters (Grube and Storr, 2018; Muñoz *et al.*, 2018; Williams and Shepherd, 2016). Most authors, however, have focused on the impact of economic downturns. Bishop (2018), for instance, finds evidence that in the period following an economic crisis, the birth rate of new companies in the UK tends to increase faster in regions with a stronger, more diversified knowledge base. Laskovaia *et al.* (2018) investigate the influence of entrepreneurial

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