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Entrepreneurship and risk: what are the factors?

The second in a new seminar series offered by the Department of Management and International Business brought **Anne Marie Knott** from the Olin School of Business at Washington University to the college, where she captivated an audience of about twenty members of the department—faculty and doctoral students—and colleagues from the College of Engineering and Computing.



Foreground, **Anne Marie Knott**; background, **Aya Chacar**

The Eugenio Pino and Family

Entrepreneurship Center co-sponsored the talk, during which Knott shared highlights from her co-authored paper, “Entrepreneurial Risk and Market Entry,” which appeared in the September, 2006, issue of *Management Science* and which has attracted attention from the popular business press.

“Knott has the ability to take complex and elaborate mathematical models and tests and present them in an accessible and fun way,” said **Aya Chacar**, assistant professor in the department. “In her talk, as in the research on which it was based, she looked at factors that drive an entrepreneur to start a business. Many people assume that entrepreneurs love risk, but studies show that entrepreneurs are risk-averse.”

Risk emerges as multi-dimensional matter.

According to Chacar, Knott identified two kinds of risk: the first related to market demand, something no one can predict; and the second related to the individual’s perception of his or her abilities.

“She broke risk down into these two different types, and then predicted—and demonstrated—that entrepreneurs are risk-averse with respect to the first, but not to the second,” Chacar said. “In fact, they are risk takers as it relates to their abilities, reflecting over-optimism.”

Separating out two kinds of risk enabled Knott to examine the entire issue of risk and entrepreneurship more accurately and to arrive at more complex conclusions.

“Thanks to her work, we now have a picture of entrepreneurs as both risk-averse and risk takers, depending on the type of risk involved,” Chacar said.

“Knott’s presentation was very compelling,” said **Sungu Armagan**, assistant professor in the department. “I felt inspired listening to her presentation. She is very knowledgeable and has great presentation skills.”

Seminar series provides monthly forum for collegial exchange.

The goal of the departmental seminar series is to disseminate knowledge about research related to management and international business at Florida International University, to address more general issues of interest to faculty and PhD students, and to increase interaction opportunities among the department’s faculty and the academic community, which will enhance their research culture.

The series kicked off on March 16, 2007, when **Deborah Vidaver-Cohen**, associate professor, presented from a paper entitled “Industry Legitimacy and Organizational Reputation: A Model of Reciprocal Processes.” The next seminar is scheduled for May 11, 2007. **Karen Paul**, professor, will speak on the topic “Measuring Corporate Social Performance” from 10:30 a.m. till noon in RB 358.