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Ugur Choban (Author) *SDU University*	**Exploring the Roles of Social Identity and Group Norms on Irrational Decision-Making in Small Entrepreneurial Firms**

Abstract

This research explores the mechanisms through which social identity and group norms lead to economically irrational decisions in small entrepreneurial firms. While the concept of "bounded rationality" articulated the adverse effects of constrained information and cognitive capabilities on decision-making, the specific impact of social identity and group norms on irrational decisions in small entrepreneurial firms remains underexplored. Using semi-structure interviews and multiple-case studies, this study examines how social identity and group norms influence irrational entrepreneurial decisions. Initial interviews will identify key themes, informing detailed case studies. Hence, the research aims to gain insights for developing strategies to support more rational decision-making in small firms.

Index terms: Irrationality, Social Identity, Group Norms, Small Firms, Decision Maki

INTRODUCTION

Entrepreneurial decision-making in small firms is naturally complex and influenced by a large number of factors beyond economic rationality (Burgos, Kittler, & Walsh, 2020). Social identity and group norms are powerful determinants of behavior, shaping the decisions entrepreneurs make and the strategies they pursue (Elster, 1991). These social factors can drive entrepreneurs to make choices that deviate from economically rational decisions, leading to potentially suboptimal outcomes for their organizations (Fahrati, 2023).

The traditional economic models often assume the rationality as a central concept in decision-making, but overlooks the nuanced impact of social influences and cognitive limitations (Simon, 1979). However, most decisions are made under the constraints limited information and cognitive bias (Simon, 1979). Yet, the works of Simon (1989) and Fahrati (2023) provide valuable insights into how organizational learning and social norms impact decision-making. However, these studies predominantly focus on large organizations and general economic behavior, rather than looking into the specific context of small enterprises and the unique social pressures they face. Therefore, the understanding of irrationality for small firms from social identity and group norms perspectives insufficiently addressed in the literature.

The effect of social identity and group norms can be important in small firms because decision making happens within a more informal and socially embedded environment (Burgos et al., 2020; Fahrati, 2023). Social identity is how a person sees himself based on the social groups he belong to, and it plays a significant role in guiding his actions and decisions. (Elster, 1991). Norms are socially accepted, unwritten rules and guidelines that often come with group-imposed consequences, shaping the behavior of its members. (Elster, 1991). In the entrepreneurial domain, these factors can influence decision-making, often causing to decisions that prioritize social conformity over economic rationality (Fahrati, 2023).

The existing literature offers limited number of studies on how social identity and group norms might lead to irrational business decisions (Burgos et al., 2020).

Furthermore, these few studies often focus on larger organizations or general economic behavior, neglecting the informal and socially embedded decision-making environments of small firms (Burgos et al., 2020). This gap is crucial to understand the drivers of irrationality, which could, in turn, help managers make more rational decisions in small firms. Therefore, it is evident that research integrating the combined effects of bounded rationality, social identity, and group norms on small firm irrationality is essential.

LITERATURE REVIEW

The concept of bounded rationality challenges the classical economic view that individuals or organizations make economically rational decisions. Instead, it suggests that people make choices within the limits of the information available to them and their cognitive abilities (Simon, 1955). This theory is particularly relevant to small firms, where social identity and group norms can heavily influence decision-making, often leading to irrational choices (Burgos et al., 2020; Cassar & Gibson, 2023; Fahrati, 2023).

Simon (1955) argued that the traditional "economic man" assumption is unrealistic as it overlooks human rationality and capability. He proposed that decision-makers use heuristics and satisficing strategies - seeking for satisfactory solutions rather than the optimal ones - due to their limited capacity to process information within the complex influence of their environments (Simon, 1955; Simon, 1979; Burgos et al., 2020). Later, Simon (1989) expanded the theory to organizations, arguing that learning within firms is a collective process shaped by social interactions and common knowledge. Organizational learning involves acquiring, storing, and sharing knowledge, which influences decision-making processes (Simon, 1989). This social aspect is particularly important in small firms, where decisions are generally made in an informal and socially embedded environments, where shared knowledge norms are prevalent (Thai & Hjortsø, 2015).

The literature suggests that social identity and group norms play a significant role in shaping organizational behavior (Simon, 1955; Fahrati, 2023). For instance, Elster (1991) shows that social norms, often not outcome-focused, shape individual and group behavior by creating expectations and triggering feelings like guilt and shame when violated. These social norms can lead entrepreneurs to make decisions that prioritize social conformity over economic rationality, resulting in potentially irrational choices (Fahrati, 2023).

Few empirical studies further illustrate how bounded rationality appears in small firms. Entrepreneurs in Canada and Mexico are influenced by regional and cultural factors, often using heuristics and local knowledge to make capital budgeting decisions (Burgos et al., 2020). Similarly, Cassar and Gibson (2007) found that revenue predictions are often overly optimistic and influenced by cognitive biases like overconfidence. This tendency shows how social identity and group norms push entrepreneurs to appear confident and successful to meet social expectations. Fahrati (2023) explored how norms related to frugality, reciprocity, and community cooperation often lead individuals to prioritize social conformity over rational economic considerations in West Java. Hence, there is a need to consider social and environmental contexts in small firm decision-making

(Burgos et al., 2020). Hence, empirical studies demonstrate that social pressures and cognitive biases often result in suboptimal economic outcomes (Simon, 1955, 1989; Elster, 1991; Thai & Hjortsø, 2015; Fahrati, 2023).

Our literature review highlights the role of social identity and group norms in driving irrational choices in small firms. However, the mechanisms through which social identity and group norms drive irrational choices require further investigation (Fahrati, 2023; Burgos et al., 2020; Cassar & Gibson, 2007; Thai & Hjortsø, 2015). Drawing on these, this study fills this gap through addressing the following research questions:

(1) What are the leading social norms to might influence entrepreneurial decision-making in small firms in Kazakhstan?
(2) How do social identity and group norms influence entrepreneurial decision-making in small firms in Kazakhstan?
(3) What specific social pressures and cognitive biases lead to irrational choices among entrepreneurs?
(4) How do these social factors contribute to the success or failure of small entrepreneurial ventures?

METHODOLOGY

This study explores how social identity and group norms drive irrational decisions in small entrepreneurial firms in Kazakhstan. Using a qualitative approaches, like semi-structured interviews and multiple cases, it aims to collect a wide range of data from key decision-makers, like current owners/managers and those who have exited the market as well as business consultants. These methods will enable us to capture the complex nature of social norms, the subjective experiences of the respondents, and contextual factors on entrepreneurial decision-making (Denzin & Lincoln, 2005; Creswell, 2013), particularly irrational choices (Charmaz, 2006). The study will use purposive sampling for current owners/managers and business consultants, and snowball sampling for former owners/managers. Purposive sampling is selecting participants according to their specific traits that are relevant to the research aims and questions (Patton, 2002), while snowball sampling is asking initial participants to refer other potential participants (Creswell, 2013).

An interview guide will be developed, consisting of semi-structured questions to ensure consistency while allowing flexibility in responses (Bryman, 2016). Interviews will be conducted in a setting comfortable for participants, each lasting approximately 60-90 minutes. With a written consent of the participants, the interview dialogues will be recorded and transcribed for futher analysis (Bailey, 2008).

Multiple-case studies will provide an in-depth examination of how social identity and group norms influence irrational decision-making. Based on insights from the interviews, 3-5 small firms will be selected for detailed case studies. These firms will represent diverse contexts, including varying industries, firm sizes, and geographic locations (Yin, 2014). Data collection will involve additional interviews with key stakeholders, participant observation, and document analysis. Observations will involve spending time at the firms' premises to understand day-to-day operations and decision-making processes, while relevant documents, such as company reports and meeting minutes, will be reviewed to provide additional context. A detailed case study protocol will be developed to guide data collection and ensure consistency across cases. This protocol will outline specific data sources, collection methods, and analytical techniques (Eisenhardt, 1989).

The data obtained from interviews and case studies will be analyzed through thematic and multiple-case analysis. Thematic analysis will involve coding the interview transcripts and case study data using both inductive and deductive approaches. Initial codes will be derived from the research questions and interview guide, while additional codes will emerge during the analysis (Braun & Clarke, 2006). A Qualitative Data Analysis Software (QDAS), like Nvivo or Atlas ti, will be used for organizing and managing the data more efficiently.

Multiple-case analysis will compare and contrast findings from each case to identify common themes and unique variations. This comparison will help us to develop explanatory frameworks illustrating the mechanisms through which social identity and group norms drive irrational choices (Eisenhardt, 1989). To enhance the validity, triangulation strategy will be used to collect data from different sources, such as interviews, observations, and maybe documents. This will help to fully answer the research questions (Denzin, 1978). Member checking will allow participants to review and provide feedback on the interview transcripts and case study findings to ensure accuracy and credibility (Lincoln & Guba, 1985). Peer debriefing will involve discussing the research process and findings with peers and experts to gain additional perspectives and enhance validity (Creswell, 2013). Detailed descriptions will offer in-depth understanding of the research context, participants, and data collection methods, enabling readers to evaluate the applicability of the findings to other contexts. Reflexivity will involve keeping a journal to record the researcher's assumptions, biases, and reflections to enhance the objectivity (Finlay, 2002).

Ethical considerations will be highly reserved during the entire research process. Participants will receive a written consent with complete information about the study's purpose, their role and rights, including the right to withdraw at any point without o consequences (Orb et al., 2001). Their identity and any other sensitive information will remain confidential, and if necessary, nicknames will be used in all reports and publications (Wiles et al., 2008). The study will be designed to minimize any potential risks or harm to participants, with the researcher remaining sensitive to any signs of discomfort during interviews (Wiles et al., 2008). This proposal will be submitted to the university’s ethics committee for approval in order to ensure compliance with ethical standards.

The detailed steps and justifications ensure that the research will be conducted rigorously and ethically, ultimately contributing to a deeper understanding of its research questions. This knowledge will be valuable for developing strategies to support more rational and effective decisions in Kazakhstan.

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Linda Anyang (Author) *Nanjing University of Posts and Telecommunications*	**Perceived Risks of Cross-border E-commerce from The Perspective of Consumers**

Abstract

Cross-border e-commerce is becoming increasingly popular around the world due to advanced technology and improved logistics services. Meanwhile, potential factors such as payment systems, culture, regulation, and socio-economic variance of different countries can cause significant risks for cross-border e-commerce. In this paper, the perceived risks associated with cross-border e-commerce (CBEC) were analyzed from the viewpoint of the consumers.

The study conceptualized the potential risk factors of CBEC based on literature analysis into six factors (product selection and management risk, transaction risk, logistics risk, return policy risk, and environmental risk). The study used a statistical method to analyze the risk level of CBEC from 166 respondents' feedback. The study identified that return policy risk was the most bothersome among all cross-border e-commerce risk factors which accounted for 31% according to the consumers' survey, followed by logistics risk (21.38%). The third-rated cross-border e-commerce was the risk of the transaction (19.01%) which is a concern with the payment platforms, transaction charges, finding the correct value of the product, and making sure the buyer is paying to the right person. Moreover, the study found that environmental risk (9.87%) was the least categorical risk factor among the risks associated with the cross-border e-commerce process since consumers did not really care about the environmental location of the product, but the quality of the product and its convenient usage.

The paper concluded that e-commerce platform owners should devise tracking technologies to control risks at all levels of cross-border activities. Besides, consumers must learn and understand their vendors, product and descriptions, and e-commerce platforms' authenticity by making inquiries from experts to reduce risk. Again, consumers should carefully choose their logistics partners to avoid many challenges.

Keywords: Cross-border e-commerce risk, consumers perception, risk assessment, online trade

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