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SUMMARY

COUNTERFACTUAL THINKING & ENTREPRENEURIAL SELF-EFFICACY: A CONTINGENCY MODEL

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Principal Topic

Studies focused on the role of counterfactual thinking (CFT) in entrepreneurship have produced equivocal results (Baron, 1999; Markman, 2002), and the equivocal nature of the findings in entrepreneurship mirrors those in other domains (Roese, 1997). Roese (1997) says that “popular wisdom typically equates thoughts of what might have been to negative emotional consequences,” but he also suggests that it is quite likely that “thoughts of what might have been, may suggest paths of what may yet be.” The role of CFT in defining ‘what yet may be’ has profound - but unclear - implications for understanding entrepreneurship.

We focus on the role that CFT may play in propelling entrepreneurial thought processes and action; scholars suggest that the next step in unraveling the relationship between CFT and subsequent outcomes (actions, feelings, thoughts), is to test conceptual models that allow for the interaction between CFT and person variables (emotions, cognitions, etc). As such, we propose, develop, and test a contingency model of counterfactual thinking focused on the moderating influences that ones affect and self-esteem may have on the relationship between regretful thinking, and levels of entrepreneurial self-efficacy. Put simply, we hypothesize that the implications of CFT will matter differently, depending on the attributes of the person doing the ‘thinking.’

Method

We survey 221 entrepreneurs to gather data on frequency, intensity, and direction of CFT relating to their entrepreneurial regrets. Further capture entrepreneurial self-efficacy, self-esteem, and affect, and a measure of life satisfaction using validated, accepted measures. OLS and instrumental variables regression is employed to test our hypotheses.

Result and Implications

Our results suggest that the implications of CFT on entrepreneurial self-efficacy do in fact differ, depending on the attributes of the person doing the thinking. Affect and self-esteem significantly moderate the relationship between CFT and ESE; regretful thinking appears to dispirit individuals with low-esteem or with negative effect, leading to decreased ESE. However, it also appears that entrepreneurs with high self-esteem or positive affective use regretful thinking differently – possibly as a means of learning. We find that moving from low to high conditions of esteem, or from a negative to a positive affect, ESE increases the more one engages in CFT.

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