THE "SWITCH" HYPOTHESIS: ENTREPRENEUR'S INTUITIVE VS. ANALYTIC DECISION MAKING (SUMMARY)

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SUMMARY

THE ‘SWITCH’ HYPOTHESIS: ENTREPRENEUR’S INTUITIVE VS. ANALYTIC DECISION MAKING

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Principal Topic

How and why do entrepreneurs think differently from non-entrepreneurs? Research on entrepreneurial cognition tries to answer this question through examining the cognitive strategies entrepreneurs employ when making decisions for their ventures. This paper argues that one of the most effective and efficient cognitive strategies for entrepreneurs is to constantly “switch” between their intuition and logical analysis in coping with imperfect information in an environment of high complexity, ambiguity, and uncertainty. Taking a dual processing perspective, our key argument is based on that intuition and analysis are two parallel systems in the human brain that an individual can freely access. Due to the demand for high level processing in complex decision making, individuals with limited cognitive resources can only focus their attention on one strategy—intuitive or analytic—at a time. In the paper we discuss the different types of switch: spontaneous vs. planned, forced vs. voluntary, conscious vs. subconscious, and affect driven vs. rational choice. We also show how individual differences and task characteristics can come into play and influence the outcome of the switch, as well as situations in which the switch can help or harm decision making processes in terms of the speed and the quality of the decision.

Method

This study takes an experimental approach. To study the proposed relationships in a dynamic and realistic environment, we use an entrepreneurship PC game to simulate the entrepreneurial decision environment. The sample consists of 100 EMBA, MBA, MSc business school students who are identified as bearing knowledge and intention in entrepreneurship. Data are collected in the forms of concurrent verbalization of individual’s thinking process, recording of PC monitor output (“screenscast”), simulation game statistics, and self-report questionnaires.

Results and Implications

The proposed integrative framework reconciles previous research on the use of intuition vs. analysis. We emphasize not only on using both intuition and analysis as a superior cognitive strategy in the entrepreneurial environment, but also how successful entrepreneurs constantly switch between them in their venture decision making. We discuss the specific implications of the switch strategy in terms of opportunity recognition, opportunity creation, and entrepreneurial management.

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