EMOTIONS, COGNITIONS AND THE INDIVIDUAL-OPPORTUNITY-NEXUS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

EMOTIONS, COGNITIONS AND THE INDIVIDUAL-OPPORTUNITY-NEXUS

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Principal Topic

The question why some individuals and not others exploit entrepreneurial opportunities is still not answered. There is consensus that the nature of opportunity plays a key part in the pre-entrepreneurial decision-making process (e.g. Lang-von Wins 2004, Phan et al. 2002) which contains the recognition, the evaluation and the exploitation of an entrepreneurial opportunity (Shane and Venkataraman 2000). Some researchers (e.g. Busenitz and Lau 1996, Mitchell et al. 2000) argue that the subjective, mental processes in individuals play a crucial role in the pre-entrepreneurial process and for the decision to exploit an opportunity. Therefore, this study seeks to explore individuals’ different perceptions of entrepreneurial opportunities and the role of cognitive appraisals and affective states in this perception-shaping process in order to fill the gap of the ‘Individual-Opportunity-Nexus’ (Shane 2003).

Method

This study was constructed as a questionnaire experiment with a scenario technique commonly used within the field of entrepreneurship research (e.g. Burmeister and Schade 2007, Norton and Moore 2006) and in the field of psychological research on emotions (e.g. Sabini and Silver 2005, McGraw 1987). Participants were given an entrepreneurial scenario with four independent variables: profit margin (high vs. low), time to profit (long vs. short), prior investment (high vs. low), and probability of success (high vs. low). This resulted in a 2×2×2×2 fully crossed design with 16 different scenarios, each one distributed randomly. We received 578 responses under which we identified 185 employees, 183 students, and 159 entrepreneurs.

Results and Implications

Our findings indicate that the perceived situational characteristics profit margin and probability of success are more important in the entrepreneurial decision-making process than are the perceived time to profit and prior investment. Moreover primary appraisal can be regarded as a central variable of the evaluation and exploitation of an entrepreneurial opportunity, however, secondary appraisal is not. Entrepreneurial evaluation was found to be a direct antecedent of the individual tendency to exploit an opportunity. In addition to this, the negative affective state of anxiety was found to have direct negative effects on evaluation and exploitation and reduces the influence of evaluation on exploitation. On the other hand, the positive affective state of joy was found to have a direct positive effect and increases evaluation's influence on exploitation. Our results confirm that entrepreneurs are more metered by the fear of failure than they are attracted by the prospects of great success which is consistent which recent research that shows that a powerful negativity bias exists at a physiological level (Vaish et al. 2008).

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