HOW THE NATURE OF PAST ENTREPRENEURIAL EXPERIENCE SHAPES INTENTIONS FOR HABITUAL ENTREPRENEURSHIP (SUMMARY)

Dan K. Hsu  
*Syracuse University, hsudk@appstate.edu*

Johan Wiklund  
*Syracuse University*

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SUMMARY

HOW THE NATURE OF PAST ENTREPRENEURIAL EXPERIENCE SHAPES INTENTIONS FOR HABITUAL ENTREPRENEURSHIP

Dan K. Hsu, Syracuse University, USA
Johan Wiklund, Syracuse University, USA

Principal Topic

Under what circumstance will entrepreneurs reenter entrepreneurship after prior entrepreneurial experience? To date, the literature on serial entrepreneurs tells us that prior start-up experiences increase entrepreneurial intentions (Krueger, 1993). This is clearly puzzling and inconsistent with Social Cognitive Theory (SCT) (Bandura, 1986), which suggests that success and failure experience would affect the activity of reentry into entrepreneurship quite differently. One of the explanations may be that entrepreneurship involves outcome uncertainty, which is not a primary consideration of SCT. We therefore use prospect theory (Kahneman & Tversky, 1979) to complement SCT.

SCT suggests that prior experience of entrepreneurial failure will decrease entrepreneurs’ belief in their ability to perform entrepreneurial activities, i.e. entrepreneurial self-efficacy (ESE) will be reduced. This reduces their intentions to reenter. The prediction of prospect theory is quite different, however. Prior entrepreneurial failure will expose entrepreneurs to a loss condition which fosters their risk-seeking propensity. This would enhance their intentions to reenter. To reconcile this conflict we propose an overarching framework and argue that performance (success or failure) of prior entrepreneurship moderates the relationship between ESE and entrepreneurs’ intentions to reenter.

This study makes an important contribution to our understanding of entrepreneurial intentions. We demonstrate the boundary conditions of ESE and prospect theory. The relationship between ESE and intention to reentry is contingent on the financial outcomes of previous ventures. The intention to reentry is governed by prospect theory mechanism when ESE is low, while it is governed by ESE mechanism when ESE is high.

Method

60 entrepreneurship students in a U.S. university are invited to participate in the lab experiment for extra course credit. The experiment is a 2 (previous financial outcomes) x 2 (post-exit ESE) between-subject design. The subjects are asked to play a role of entrepreneurs and answer a series of strategic questions.

Results and Implications

Our results highlight that the qualitative difference in the previous entrepreneurial experience is important for our understanding of how entrepreneurial experiences shape future intentions. This is important for a deeper understanding of entrepreneurial intention. This research also adds to our understanding of habitual entrepreneurship by specifying when entrepreneurial reentry is more or less likely.

CONTACT: Dan K. Hsu; dahsu@syr.edu; (T): 315-443-3468; Whitman School of Management, 721 University Avenue, Syracuse, NY.