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DOING GOOD TO FEEL GOOD – A THEORY OF ENTREPRENEURIAL ACTION BASED IN HEDONIC PSYCHOLOGY



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ABSTRACT

What drives entrepreneurs despite lower financial returns and various setbacks? Researchers have mainly studied why entrepreneurs deviate from optimal decisions; risk propensity, optimism, and overconfidence represent such factors. We offer another perspective to capture the drivers of entrepreneurship, using a hedonic psychology framework. We analyzed entrepreneurs' blog diaries and examined a series of decisions and their contexts. We suggest that entrepreneurs make rational decisions to maximize their happiness and well-being, and they engage in certain activities to manipulate their happiness level. This study contributes to entrepreneurship research by suggesting alternative drivers of entrepreneurship: contentment and happiness.

INTRODUCTION

Entrepreneurial behavior is puzzling if we look at financial returns (Hamilton, 2000); many scholars have examined why entrepreneurs choose to become and remain as entrepreneurs (Koellinger, Minniti, & Schade, 2007). Many policy makers are also eager to promote entrepreneurship for the purpose of creating jobs and boosting the economy (Gilbert, Audretsch, & McDougall, 2004). Yet, our knowledge is still limited in understanding the drivers of entrepreneurship – why entrepreneurs do what they do.

Entrepreneurial decisions and behavior can be theorized from either normative or descriptive perspective (Einhorn & Hogarth, 1981; Slovic, Fischhoff, & Lichtenstein, 1977). Normative theory models the most efficient and effective course of actions that should be taken in order for a person to reach a goal that reflects his/her preferences. Descriptive theory describes what are the decision preferences or how such preferences influences choices (Slovic, et al., 1977). Each theoretical model contributes to different purposes; normative theory can give prescriptive advice while descriptive theory explains the underlying mechanisms of choice and judgment (Slovic, et al., 1977). Normative theory of entrepreneurial behavior has shown influential factors of entrepreneurship such as human capital, cognitive mechanisms and decision bias. What we attempt in this paper is to build a theory from descriptive perspective in order to capture the broad and changing preferences of entrepreneurial decisions and behavior.

This paper offers an alternative perspective to systematically capture what drives entrepreneurs – the factors which form entrepreneurs' decision preferences and how such decision preferences influence entrepreneurial behavior. We depart from the assumption that decision preferences are stable and constant across contexts and time (March & Heath, 1994), which normative theory imposes on. Instead, we examine why the person's decision preferences are as such, and what value or belief influences which decision and how. For this purpose, this study uses a hedonic psychology

framework (Diener, Suh, Lucas, & Smith, 1999; Kahneman, Diener, & Schwarz, 1999). Hedonic psychology is ‘the study of what makes experiences and life pleasant and unpleasant.’ (Kahneman, et al., 1999: ix) Hedonic psychology assumes that people make rational decisions to maximize their happiness and that people’s preferences change across time and contexts. This framework thus requires researchers to observe each decision while paying attention to the contexts in order to understand what influences each decision.

We inductively developed a theory of entrepreneurial decisions and behavior through a multiple-case study methodology (Eisenhardt, 1989; Yin, 2003). We analyzed entrepreneurs’ blog diaries and examined a series of decisions which they had written in their diaries. We focused our attention on entrepreneurs’ affect (emotions and mood) (Baron, 2008) for understanding entrepreneurs’ happiness level. Emotions and moods are the base components of human well-being / happiness (Kahneman, et al., 1999), and have great influence on hedonic experience (pleasure and pain) (Frijda, 1999). We analyzed the cyclical or reciprocal relationship between actions/behavior and affect to understand entrepreneurs’ strategies in achieving maximum level of happiness.

This paper suggests happiness and well-being are important drivers of entrepreneurship. Entrepreneurs strategically behave in ways to maximize their happiness level. Entrepreneurs’ ability to balance between negative and positive affect and to manipulate their affective states determines the paths and subsequent choices that they take. This study illustrates the role of affect as an outcome as well as a trigger of positive-affect-inducing behaviors. Although negative-affect inducing events are inevitable for all entrepreneurs, they manipulate affective states by engaging in certain actions to control their affective states. In this process, tangible results such as financial performance become byproducts of entrepreneurs’ positive affect inducing behavior. We contribute to the understanding of entrepreneurial decisions and behavior by suggesting alternative drivers of entrepreneurship: contentment and happiness.

THEORIES OF ENTREPRENEURIAL DECISIONS AND BEHAVIOR

Normative Theory of Entrepreneurial Decisions and Behavior

With the increased attention to entrepreneurship and its influence on economy, scholars have made great efforts in understanding influential antecedents of entrepreneurship. Empirical studies of entrepreneurship have thus often taken a variance approach (Dimov, 2011; van de Ven & Poole, 1995) and looked at sales or profit as a dependent variable to identify influential antecedents (e.g., Davidsson & Honig, 2003). The trend has contributed to the development of normative theory of entrepreneurial decisions – what entrepreneurs should do and how deviation occurs.

Normative theory assumes that entrepreneurs’ expectation of future value of goods or services guides their decisions (Eckhardt & Shane, 2003; Shane & Venkataraman, 2000)– entrepreneurs expect to minimize production costs and maximize profits. Since entrepreneurial behavior does not always maximize entrepreneurs’ income / profit, many scholars examined the sources of variance – what makes them choose and keep a career as an entrepreneur, not optimizing income.

Labor economists have suggested that miscalculation of future income might be one reason (Hamilton, 2000). The career choice of entrepreneurship / self-employment has attracted many economists. In traditional economics model, the decisions to start a new business should be made when the sum of expected outcomes weighted by their probabilities is larger than that of a paid job (Koellinger, et al., 2007). On average, entrepreneurs have 35% lower income compared to paid

employment at the point of 10 years in business (Hamilton, 2000). Since these statistics does not include benefits such as health insurance, the actual income difference is much greater between self-employed and paid employment (Hamilton, 2000). The career choice of entrepreneurs is thus puzzling and occurring 'too many' (Koellinger, et al., 2007). In this view, entrepreneurs miscalculate future income. Taylor (1996) uses survey results in the UK and contends that higher expected earnings of self-employment, although often a wrong expectation, explain entrepreneurial behavior since entrepreneurs list the factor as a major reason to have started the business.

These studies from labor economics have led to the research on psychological and cognitive aspects of entrepreneurs. The underlying logic is that certain cognitive mechanisms (how people think) contribute to the miscalculation of future income, or likelihood of success. For example, risk-tolerance (Lévesque, Minniti, & Shepherd, 2009; Sitkin & Weingart, 1995), optimism (Forbes, 2005), and overconfidence about their future financial success (Koellinger, et al., 2007) have been identified as individual characteristics contributing to less than optimal decisions. In this view of entrepreneurial decisions, the variance comes from entrepreneurs' psychological characteristics, resulting in miscalculation of success. The basic logic is that too many startup behaviors are the results of entrepreneurs' decision biases and heuristics. For example, Busenitz and Barney (1997) contend that people who use biases and heuristics in decision-making are most likely to become entrepreneurs, while cautious decision makers would choose being employed by larger organizations since such settings offer information for rational decision-making.

Another important factor in entrepreneurial decisions is true uncertainty (Knight, 1990). The theory of effectuation (Sarasvathy, 2001) is path-breaking; it incorporates the decision-making situations in which no decision-makers know the right answers and the theory allows non-linear paths to achieving a goal. Effectuation is defined as the processes that 'take a set of means as given and focus on selecting between possible effects that can be created with that set of means' (Sarasvathy, 2001: 245). Sarasvathy (2001, 2008) has theorized that entrepreneurs do not primarily rely on deductive, causal logic, but use a more adaptive approach to decision-making. Effectuation incorporates uncertainty as a factor that requires entrepreneurs think differently from the ways as traditional economics or management frameworks assume. In this view, entrepreneurs rely on a decision process that deviates from the traditional causal logic to achieve a goal. Yet entrepreneurs are still regarded as economic agents that try to achieve business success; the theory assumes that entrepreneurs are driven to achieve business success, and does not question why or how such preferences are formed.

These theories and studies have contributed to our understanding of entrepreneurial behavior by identifying influential antecedents. Nonetheless, these views make us overlook other drivers of entrepreneurship – not necessarily profitable business – that entrepreneurs might pursue. We have long known that entrepreneurs are not necessarily motivated by profit (Shane, Locke, & Collins, 2003). For example, not all entrepreneurs pursue the expansion and growth of their businesses; entrepreneurs' growth aspirations vary significantly (Cassar, 2007; Wiklund, Davidsson, & Delmar, 2003). We are yet to know, however, why entrepreneurs' business decision preferences vary, or how such decision preferences are formed and how the preferences influence their decisions. If we agree that profit is not the only basis which forms entrepreneurial preferences, then we need to view entrepreneurial decisions and behavior with a different lens in order to understand what guides entrepreneurs' decisions and behavior.

Descriptive Theories of Entrepreneurial Decisions and Behavior

Economics has been criticized for that it does not explain actual human behaviors. By incorporating psychology, behavioral economics tries to answer why people do not behave as traditional economics assumes, or why people actually make decisions differently from the calculated way (Camerer, Loewenstein, & Rabin, 2004). Hedonic psychology is one of the influential frameworks in behavioral economics (Kahneman, 2003), and has contributed to the development of well-being / happiness studies (Diener, 2000; Easterlin, 2001; Frey & Stutzer, 2002; Kahneman, et al., 1999). Hedonic psychology scholars propose the notion of experienced utility to explain actual human decisions (Kahneman & Thaler, 1991, 2006). Experienced utility refers to ‘the hedonic experience associated with an outcome’ (Kahneman & Thaler, 2006: 221). In simpler terms, people make decisions so that they would feel good as a result of their decisions. People try to avoid pain while maximize pleasure.

Hedonic psychology enables us to examine underlying mechanisms of decisions – what guides each decision as well as why a person prefers A over B. Kahneman et al. (1997) report that people make decisions in ways to maximize experienced utility level, but there are two different mechanisms. Each moment of an event is accompanied by pleasure and displeasure (instant utility). In a current situation, people simply try to avoid pain and maximize pleasure. However, when people choose between options that they have similar experience in the past, they choose an option based on their memory (remembered utility). If we plot a graph of pleasure / displeasure level over time for an event, we might assume that people prefer a choice with the least level of displeasure or the most level of pleasure, by simply adding/subtracting pleasure and displeasure level over time. However, people make decisions based on their retrospective assessment of the whole event – the level of remembered utility. In short, hedonic psychology asserts that people do not choose an option with the highest level of hedonic experience measured by simply adding up the moment-by-moment pleasure/displeasure level. Rather, people’s memory of past similar events influences future choices.

We have long known that profit is not the only factor that guides decisions and behavior. Hedonic psychology lends us an assumption that entrepreneurs make rational choices in maximizing their experienced utility, or happiness, based on past experiences.

Research Questions

Applying a hedonic psychology lens, we refine our research questions; what factors form experienced utility of entrepreneurs? How does experienced utility influence entrepreneurial decisions? In order to understand entrepreneurs’ experienced utility, we examine the cyclical relationship between their actions and affect. Affect is a basic component for measuring human well-being (Kahneman, et al., 1999), and forms hedonic experience (Frijda, 1999). We analyze how affect as an outcome influences entrepreneurs’ decisions and behaviors prior to the affective state. Entrepreneurship is a non-linear process (Baron, 2007), and an antecedent in one stage would become an outcome of the following stage. Thus, this study looks at the aspect of affect as a desired outcome of decisions, and how entrepreneurial actions and decisions are influenced in the cyclical relationship.

METHODS

Research Design

As we have described in previous sections, we are yet to discover the answer to the question, what factors form experienced utility of entrepreneurs. Qualitative study is suitable for asking an open-ended question (Edmondson & McManus, 2007). We use a multiple-case study (Eisenhardt, 1989; Yin, 2003), with theoretical sampling approach (Corbin & Strauss, 2008; Locke, 2001). We kept adding cases to identify patterns in data until we achieved theoretical saturation (Glaser & Strauss, 1967).

Sample and Data Analysis

We examined entrepreneurs' diary blogs as a main data source. We initially sampled 100 blogs using blog search engines. The criteria were the frequency and duration of diary: at least twice a month entry on average, and more than one year of entry. After reading all these blogs, we refined our search criteria. The most important criterion was that the diary should tell individual experience and emotions; promotion-type blogs were thus discarded. With these criteria, we sampled more than 5,000 blogs through key word search and selected nine entrepreneurs' blogs. The blogs were kept for 2-5 years of duration, and on average, each blog had more than 70 entries per year. Thus, in total, our study covers more than 2,000 diary entries. The brief description of cases is in Table 1.

Blog data are ideal for our research purpose. First, the data show events, activities, actions, and emotions as they occur at particular points in time. Diary methods have been employed in management research (Balogun & Johnson, 2004), and are well-suited for collecting in-depth data with little time discrepancy because it avoids the problems of memory decay, recollection bias, and reverse causality while offering rich text data for identifying patterns. Second, blog systems verify the date of entry with a time stamp. Third, the data contain less social desirability in the dimensions of affect. Blogs are kept for the purpose of being read, but the data were not generated specifically for this research. Although entrepreneurs do not necessarily reveal secrets in blogs, it is also highly unlikely they consistently fake their feelings for more than a year. Thus, we believe that diary blog serve as the ideal data source for our purposes.

After downloading data from each blog sites, we coded the text data. We used language to measure emotions (Sweeny & Whissell, 1984), and took a dimensional approach for the measurement of affect (Russell, 1980). Each dimension of affect is used as a code. The analysis was implemented using qualitative analysis software (NVivo). We also used other data sources such as organizational reports, Twitter, and newspaper articles to verify what entrepreneurs wrote in their diaries. After clarifying the relationship between affect and entrepreneurial behaviors, we reconciled the identified patterns with existing theories and generated our theoretical model.

FINDINGS

The affect-behavior patterns in the entrepreneurial process marks three distinct stages of entrepreneurship: pre-launch, launching, and post launch. The results show that entrepreneurs balance their positive and negative affect states. Our study indicates that affect plays a role not only in influencing subsequent behaviors but also in serving as a trigger of behaviors. Persistent entrepreneurs intentionally induce positive affect, and such strategies include asking for affirma-

tion from acquaintances and launching something new. Entrepreneurs go through the cyclical process of balancing uncertainty and excitement.

Recurring Pattern of Affect and Coping Strategy

The identified patterns in entrepreneurs' affective states and behaviors clearly marked three different stages of entrepreneurship process; pre-launch, launching, and post-launch. We present the results in this order.

Pre-launch stage. When an entrepreneur starts to work on a business idea and to launch a new project, organization or firm, s/he feels excitement about creating something new (Csikszentmihalyi, 1991). As the idea of starting a new business transforms into a conviction, the initial short-term goal is set in the form of a clear tangible goal. These goals typically concerns activities such as developing a new product and marketing a new project. Even for experienced entrepreneurs, new products or new projects are always unpredictable. Oftentimes, entrepreneurs find that their great business idea already exists in markets, or that other people do not get excited about their business idea. With such findings, entrepreneurs define a further niche by focusing on the difference between their ideas and existing businesses, and re-position their idea as something newer.

Entrepreneurs at this stage often mention that they do not need to sleep, or do not mind working constantly to make things happen. Thus, at the beginning of entrepreneurial process, entrepreneurs experience high-level of both uncertainty and excitement. Every event and experience is new, and s/he does not know if a new product launch, negotiation, or the business itself would be successful although the entrepreneur hopes so. Facing high-level of uncertainty while holding a high hope of success, at this stage, entrepreneurs experience highly aroused states in terms of both positive and negative affect.

Existing theories of affect suggest that positive affect and negative affect influence cognition or behavior in counter-effective ways. For example, Baron (2008) suggests the moderating effects of affect on opportunity recognition, as positive affect enhancing and negative affect reducing the effects. These theories have explained the results of a certain affective state in a previous time-period; if an entrepreneur is feeling positive affect, (s)he would respond to available opportunities better. Since entrepreneurs are feeling both positive and negative affect at this stage, which frequently changes or almost occurs at the same time, the counter-effective direction of positive and negative affect should almost negate the influence of either affect. Foo et al. (2009) results show that highly aroused states, either positive or negative, would influence the efforts in the subsequent time period.

Our results show another side of this story; feeling a high-level of uncertainty and anxiety, entrepreneurs proactively ask for affirmation whether their course of action is right. In other words, entrepreneurs intentionally strike a balance between negative and positive affect at this stage. The persistent entrepreneurs are given such affirmation from society – more precisely, they *find* affirmation from the people they trust or they know – and are able to control the feelings of uncertainty. Entrepreneurs continue to work on the initial launch stage, fueling their excitement with initial tangible results and controlling uncertainty with feedback and affirmation from their acquaintances.

For example, entrepreneur Nancy constantly asks questions about their approaches or projects, and got affirmative comments on her blog. Nancy also mentions positive feedback from

friends, colleagues, and acquaintances, drawing more affirmative comments. Such positive feedback makes the entrepreneur to say 'I am doing the right thing.' Entrepreneur Ben writes "There is SO MUCH uncertainty that it could drive an insecure, unmotivated person insane." He mentions the support from and rapport with his co-founder. This pattern shows that entrepreneurs who successfully pass the initial stage strategically strike a balance of their affective state. Uncertainty is unavoidable. Thus, entrepreneurs try to decrease the perceived uncertainty level by obtaining information from their reliable sources as well as to control the effects of negative affect by using affirmations and positive feedback on their decisions. With high uncertainty in environment and many tasks at hand, entrepreneurs manipulate their affective state to stay in the positive side, so that they are motivated and highly engaged in entrepreneurial activities.

Observation 1: Pre-launch stage is characterized by the high level of both positive (excitement) and negative (worried, anxious) affect.

Observation 2: During pre-launch, entrepreneurs strategically regulate the balance between positive and negative high-arousal states by seeking affirmation from credible sources.

Launching stage. After the initial product/service launch and having achieved the first tangible goal, however, the nature of the tasks performed by the entrepreneur changes. Many first-time tasks become routines, and the uncertainty surrounding how the business decreases. As a consequence, the excitement – sense of adventure and conquering risks – felt lower. Entrepreneurs have to repeat some of the initial tasks, and such tasks become mundane. Although they know how to do the tasks better, the tasks do not challenge their mind any more. Their initial market – not only product but also various business exchanges – is also saturated. As a result, the same operation which brought newness and excitement at the pre-launch stage does not work as something that gives satisfaction or positive affect. Affirmation given frequently to them at pre-launch stage is gone in exchange to the establishment of their legitimacy.

Entrepreneurs feel stuck, without major tangible results and without new things that bring in excitement, thus feel frustrated. Their affective state shows less arousal than the initial launch stage and the negative affect is dominant at this stage. Entrepreneurs experience product/service failures or failed negotiation, which bring in disappointment and uncertainty about their methods and approach. If entrepreneurs experience the negative low arousal affect state longer period of time, they think about getting a job outside or quitting the process.

The extant theories of affect indicate that entrepreneurs in negative affect would find fewer opportunities and become less creative (Amabile, Barsade, Mueller, & Staw, 2005; Baron, 2008). Or they would try to work on correcting what is not going right (Foo, et al., 2009). The negative affect should also limit the side effects of positive affect; entrepreneurs should be able to critically review what is wrong and exercise better judgment (Baron, 2008).

Our results add another dimension to these theories. While feeling stuck and frustrated, entrepreneurs actually try to get out of such a state. Entrepreneurs try new things, which use to make them excited. They rarely review what they did wrong, but rather, they reflect upon the experiences when they first started out, and try to reconnect with the feelings of the pre-launch stage. Even though they have many 'failure' experiences by this time, they forgive their past mistakes and do not try to correct the paths. They regard past mistakes as the symbol of their growth by contrasting what they know now, and intentionally use such episodes to draw affirmation from

society. They also use their personal lives and events to feel something positive, or even use personal experiences to get affirmation from society.

For example, in her second year of re-launch, Suzanne went through a divorce process. Suzanne made a video talking about her experience of divorce, and drew the most comments on her blog to the date. After the video post, her blog started to attract more people. Ben, facing no income stream and his core team member's departure, contemplated a 'suicide'; he called it as 'corporate suicide' and went through several job interviews. Yet after that, he wrote about his experience on his blog as 'suicide' and stated that he was a born entrepreneur. This post also attracted more traffic of comments than usual. He also mentions: "There have been many times I contemplated quitting because the E-life is so difficult. When that happens, I think of sitting in my cubicle for 50 hours a week. I think about how boring, mundane, and unfulfilling life is when you're sitting without any way of truly standing out."

Our results indicate that when they feel stuck, entrepreneurs intentionally engage in entrepreneurial behavior so that they can experience positive affect. Entrepreneurs of this stage have learned that their actions could bring in positive affect, and they are more likely to act to induce positive affect. Their decisions and behavior in this stage are not necessarily aligned to a long-term goal, but are geared toward moving out from negative affect into positive affect state. While trying various strategies to move into positive affect, sometimes new projects start working well or good news comes in. Such good outcomes, either as a direct outcome of their own effort or as a coincidence, fuel their excitement, and they move out of this stage. After a long period of negative low arousal state, a big, remarkable event helps entrepreneurs to move beyond the launching stage.

In order to move out from the launching stage, entrepreneurs need a homerun success. They intentionally use various strategies to feel positive affect – launching new projects, seeking for praise from a society, obtaining good reputation. They often try something new or something bold that would bring excitement. Seeking excitement, self-fulfillment, and society's recognition becomes the purpose of their behavior; entrepreneurship becomes a value or lifestyle for them. Our observation also indicates that some entrepreneurs might stop being an entrepreneur at this stage. Although they use strategies to feel positive affect, many projects fail and negative affect such as disappointment and boredom is dominant. In the negative affect state, they question if the whole process was right. Stronger affirmation and positive affect is needed for them to control negative affect. In other words, entrepreneurs need to strike a balance between positive and negative affect to stay in the process or survive this stage. At this point, profitability or financial aspects of their businesses do not seem matter, but entrepreneurs start to question why they are doing what they are doing. All the entrepreneurs who came out of this stage used coping strategy – to do something new, or trying to gain reputation – to counter the negative affect and to gain positive affect.

For example, Suzanne called a "bull**it" of her role model, who is a billionaire and motivation speaker, after finding that the role model person was using a hired person to create personal Twitter messages. This bold act gave her near 100 comments on her blog, praising her ingenuity and braveness. After this post, her blog has gained much popularity and started to get introduced by many bloggers. Nancy tried many fundraising efforts, and after being praised by her colleague, she came up with a fundraising initiative using Twitter. This became a huge success in the philanthropy world. Nancy received many invitations as a guest speaker or interviews.

Observation 3: Launching stage is characterized by infrequent high-arousal states but by dominant negative, low-arousal states (boring, frustrated).

Observation 4a: At launching stage, entrepreneurs strategically regulate the balance between positive and negative low-arousal states by seeking affirmation and recognition.

Observation 4b: At launching stage, entrepreneurs initiate entrepreneurial activities to move from negative low-arousal states to positive high-arousal states.

Observation 5: Entrepreneurs who successfully move out from the launching stage need a homerun success in their business or clear and greater recognition from society.

Observation 6: After feeling stuck at launching stage, many entrepreneurs quit if they cannot successfully move out from dominant negative affect stage to positive affect state.

Post-launch stage. After getting out of the launching stage, entrepreneurs enter a mature stage where they have more recognition as well as stability. Recognition from society as a legitimate firm increases as they stay in business longer. Their customer base is expanded, and business network has grown. As stability in their environment increases, the predictability of their business path increases – it does not bring in much excitement.

At this stage, the outcomes of their behavior and decisions often bring in immediate results – excitement if success and disappointment if failure. Unless they launch a big initiative, their behavior and decisions around their businesses are of smaller scale compared to pre-launch or launching stage. Thus, the affect they experience changes frequently, while they still try to feel positive affect. By this time, the purpose of their behaviors and decisions show a clear mismatch with their initial long-term goal. Their short-term goal orientation is strongly geared toward feeling positive affect or excitement.

For example, Nancy had a homerun success with the fundraising effort using Twitter. It made her and her organization famous. With much excitement, she analyzed the success carefully, and devised a similar initiative about half-year later. She failed miserably. Around the same time, she was invited as a guest speaker for an event. Although she was excited, later she found out that her approach was criticized by philanthropists or people who work for fundraising. It took her for about a month to recover from the negative affect state. Nancy tried to re-connect with her original experience, take a rest, and not to think about the experience. After a month, she mentioned that the world had not denied her, and got stronger affirmation from society. She set out to win a competition for start-up funds, which she had previously failed to win, and she finally won. Nancy felt that what she was doing was right.

Observation 7: Post-launch stage is characterized by the frequent change of positive and negative affect states.

Observation 8: In post-launch stage, entrepreneurs manipulate their affect states through their behavior.

Selective advice. Our results show that entrepreneurs seek for affirmation from society as well as ask for feedback on their performance. Entrepreneurs in our analysis are all selective and strategic in taking others' advice. Entrepreneurs are likely to listen to others and take their advice

only when they start new things – only when uncertainty level is very high. When uncertainty level is very high, they do not solely rely on their own ideas but are more likely to listen to and adopt others' ideas. The ideas from their reliable sources are particularly influential; ideas and feedback from passer-bys and online acquaintances do not usually get commented or only get a simple thank-you. Their close friends' ideas or business partners' ideas often get adopted.

Once they went through the initial stage and uncertainty level decreases, however, entrepreneurs start to rely more on their own ideas and try to improve the next cycle based on their initial experiences. At this stage, entrepreneurs analyze the results of initial attempts, and ask for the comments on their analysis. They do adopt ideas from others at later stages, but only after they examine such ideas. We note that their analysis of success or failure of the initial stage is not necessarily correct. Yet they constantly try to replicate success based on their analysis. If such attempts at replicating the past success work, entrepreneurs build in the behavior in their routine. For example, Suzanne learned that a provocative title such as “goal sucks” attract more positive comments. She starts to repeat the title of “XX sucks”, and to write more provocative thoughts. If an attempt at replicating a past success fails, however, entrepreneurs do not try to change a thing about the past success. The reason for failure is never clearly asked for advice while the analysis of access often invites comments. This selectivity shown by entrepreneurs illustrates the picture of proactive and strategic actions in the entrepreneurship process.

Business Goals and Drivers of Entrepreneurial Behavior

One striking pattern emerges from this analysis is that the gap between goals; entrepreneurs' long-term business goals and their short-term goals do not usually match. The degree of mismatch increases as the process unfolds. This supports the contention of forward-looking view of entrepreneurship (Dimov, 2007), and points to the overlooked aspect of entrepreneurial process under formal conception of entrepreneurial behaviors (Dimov, 2011). Long term goals such as business success are not the major driver of entrepreneurial process, and the process is not a linear path toward such goals. Entrepreneurs are more flexible, creative, and proactive in creating their own paths and goals; their short-term goals or projects can change as long as such new activities bring in positive affect. This pattern resonates with the view of effectuation (Sarasvathy, 2001). When we look back their behaviors, their recognition of business opportunities or ideas often-times does not make sense in regard to their long-term goals. Yet such irrational activities to us currently were rational for entrepreneurs then.

For example, our sampled entrepreneurs have long-term goals from the beginning, such as raising \$250,000 in two years or obtaining Visa black card by certain age. Yet after the initial launching stage, their focus wanders off from the most efficient path for achieving the long-term goal. Suzanne sometimes mentions that she would become a millionaire as a motivation speaker. Ben mentions that his life goal is to become a millionaire by 27, be invited by Ivy League business schools by 30, and have three successful startups by 30. Nancy wants to be a micro-lending organization which funds projects from all over the world. They still mention such long-term goals some times, but after the launching stage, their actions are more geared toward recognition, affirmation, and excitement. They are more likely to do what brings in excitement, and such short-term projects are not crafted in order to achieve their long-term goals.

From our view as outsiders, entrepreneurs' behaviors look irrational and inefficient. Yet, by constructing their process from their perspective, they act as they see fit or the best at each point

in time. Although not all the behaviors are for achieving the long-term goals, all the behaviors are rational for them to stay engaged in entrepreneurial activities.

ANOTHER THEORY OF ENTREPRENEURIAL DECISIONS AND BEHAVIOR

This study illustrates that entrepreneurship process shows three distinctive stages; pre-launch, launching, and post-launch. Pre-launch stage is marked by high arousal affect states, both positive and negative. Excitement dominates the most of the time, but anxiety is felt concurrently. Entrepreneurs thus seek affirmation from reliable sources and constantly confirm that they are on the right track. At this stage, their long-term business goals are aligned with their short-term goals and behaviors match.

In launching stage, after achieving initial success, entrepreneurs enter in a lower arousal state. With their initial market saturation, favorable feedback from their initial customers stops and enthusiastic support from their reliable sources ceases. Most tasks become routines and mundane, which take time but bring in little joy or excitement. Boredom and frustration dominate. In this stage, entrepreneurs strategically behave in order to feel positive affect, such as reconnecting with their initial experience or starting something new. Entrepreneurs do not revise their original goals or plans, and the meaning of goals and plans becomes less important.

Once successfully moving out from the launching stage with a homerun success, entrepreneurs enter post-launch stage where positive and negative affect change frequently. Entrepreneurs' decisions deviate from the path aligned to achieve the long-term goal, but positive affect inducing behaviors become prevalent. Although entrepreneurs move out from negative affect stage, events such as project failures or criticisms still bring in negative affect. Thus, at this stage, reputation-seeking and novelty-seeking behaviors are frequent in order to counter negative affect.

Entrepreneurs strategically manipulate their affective states. Entrepreneurship is a setting in which entrepreneurs can try new things to feel positive affect. What we observe as entrepreneurial behavior is sometimes the results of their behavioral strategies. Positive affect in turn helps entrepreneurs to start new products or new initiatives. Thus, if their behavioral strategy works, then entrepreneurs should be able to stay in positive affect states all the time. What interferes in this cyclical relationship of affect-behavior is 1) negative feedback from society, both active (criticism) or passive (ignorance), and 2) anxiety from high uncertainty.

The relationships between entrepreneurs' affect, goal orientations, and behaviors are summarized in Figure 1.

CONCLUSION

Entrepreneurs constantly make decisions as they perceive the best at the point in time. Viewing an entrepreneurial process from the viewpoint of an entrepreneur sheds light on the overlooked aspects of entrepreneurial decisions and behavior. Our results illustrate a picture of entrepreneurs as active agents who manipulate affective states throughout the process. With uncertain future and the infinite number of potential paths, their business success itself is not necessarily the driver of the process; affective states greatly determine the paths and process. Our results also showed the aspect of affect as a trigger of behavior; certain actions result in excitement, and entrepreneurs repeat such actions. Entrepreneurship becomes an excitement-seeking behavior, not a goal-driven, profit maximizing behavior.

We note that our theory only applies to individual-level phenomena. When a decision involves various decision-makers with different value sets, it is possible that money serves as a currency or medium to mediate the different values held by decision-makers. This transition would be another interesting aspect of entrepreneurship research, but is beyond the scope of this paper.

While we acknowledge limitations, we firmly believe that the results have brought in more insights enough to compensate the limitations. We showed the role of affect as a behavioral trigger, as well as entrepreneurship as happiness maximizing behavior. Entrepreneurs in this perspective are indeed dynamic agents, creating their own paths. We hope that more empirical studies with forward-looking perspective follow, and complete the picture of the entrepreneurial process with entrepreneurs' perspectives.

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Table 1 Case Description

	Blog Data	What The Entrepreneur Does & Notes	Additional Data
Nancy (Nonprofit)	September 2007 – May 2009 (90 entries)	Build a school in Africa; microfinance	Press releases, Podcast interviews, Guest blog entries, Conference speech, Newspaper articles, Tweets (3,400+), Facebook, MySpace
Suzanne (Online consulting)	August 2006 – May 2008 (46 entries) + January 2009 – January 2010(43 entries) *Video entries included	Career consulting, “typical entrepreneurial type”; “Mom-preneur”	Video entries, Newsletters, Guest blog entries, Blog comments (sometimes exceeds 100) & Tweets introducing her blogs, Facebook
Ben (Career development)	March 2008 – March 2009 (152 entries) * Video entries included	Working for a consulting company full-time; “entrepreneurship as a lifestyle”	Video entries, Co-founder’s blogs, Guest blog entries, Comments to other blogs, Tweets
Mike (Consulting, software development)	November 2005 – December 2007 (71 entries)	Productivity improvement software; business ideas and contents change	Comments to other blogs, interview with other entrepreneurs
Greg (Environment / sustainability)	January 2008 – March 2010 (51 entries)	Serial entrepreneur; decided not to get involved in any more startup, yet started another business	Invited lectures, comments to other blogs, interviews
Kelly (Travel agency)	January 2005 – November 2007 (225 entries)	Life improvement, spiritual	Organizational reports, comments to the blog
Bruce (Web magazine)	January 2006 – June 2008 (554 entries)	Comfortable with technology	Comments, his comments to other blogs
Elena (Website consulting)	May 2009 – January 2010 & January 2011 (110 entries: one year blank)	“Mom-preneur”	Comments, her interviews of other mompreneurs
Joe (Social business consulting)	November 2006 – February 2008 (111 entries)	Social entrepreneur	Comments, newsletter, Twitter

Figure 1 Entrepreneurial Process and Behavioral Strategy

Pre-launch	Launching	Post-launch
<p>Emotion/affect</p> <ul style="list-style-type: none"> - Scared of Uncertainty ↔ Excited to build 'a vessel' and planning the journey = Need affirmation to strike the balance between 'scared' and 'excited' - Excitement of just doing anything new - People's affirmation fuels excitement - Sleep or rest not needed 	<p>Emotion/affect</p> <ul style="list-style-type: none"> - Excitement to see achievements at the beginning - Content & confident of initial achievements ---starts to feel stuck --- - Frustration, confusion, and exhaustion = don't understand why NOT moving 	<p>Emotion/affect</p> <ul style="list-style-type: none"> - Trying to get motivated / excited - Affirmation needed - Excitement and disappointment frequently change - Failure brings disappointment but success may cancel out the negative effects
<p>Goal (orientation)</p> <ul style="list-style-type: none"> - Clear first goal and deadline 	<p>Goal (orientation)</p> <ul style="list-style-type: none"> - Initial grand plan still in place - Set another short-term tangible goal - Seeking recognition 	<p>Goal (orientation)</p> <ul style="list-style-type: none"> - Trying to achieve tangible goals (initial plan is not important) - Geared toward more recognition
<p>Business Concept (Product line)</p> <ul style="list-style-type: none"> - Other people's ideas adopted - Simply try what people have done or told them to do - Copying existing ideas of others 	<p>Business Concept (Product line)</p> <ul style="list-style-type: none"> - What has worked is in place - Original plan for product launch does not change ---starts to feel stuck --- - Try new products out of desperation (do not work) 	<p>Business Concept (Product line)</p> <ul style="list-style-type: none"> - Keep launching new products - When in good mood, more ideas are generated - Try to imitate well-received products
<p>Behavioral strategy</p> <ul style="list-style-type: none"> - Need to know... <ul style="list-style-type: none"> - heading for a right direction? - approach is right? - what I see as an opportunity is right? = Affirmation desperately needed (and mostly given; selective advice) - Don't know what to do = information collection effort (ask people, attend events) - Experiment = just do what I can do 	<p>Behavioral strategy</p> <ul style="list-style-type: none"> - Do not think any change needed - Tangible results confirm the original methods were right ---starts to feel stuck --- - Do not understand why the same methods not working - Trying new methods based on people's advice and on own ideas - Asking people for the reason (why not working?) 	<p>Behavioral strategy</p> <ul style="list-style-type: none"> - Trying new methods based on own ideas, with the help of other people - Analyzing the reason of success and failure = read articles, news, ask people - Receiving mixed signal on performance = try to replicate what has been successful = new product launch or new projects are preferred; try to solicit positive affirmation from society