DOES JOY OF ENTREPRENEURSHIP MATTER? AN EXAMINATION OF THE RECIPROCAL RELATIONSHIP BETWEEN EMOTION AND BUSINESS PERFORMANCE (Interactive Paper)

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Principal Topic

For a long time, research on entrepreneurship was based on Rational Choice Theory which suggests an exclusively rational-economically acting entrepreneur. The option that emotions could influence the decision-making process of entrepreneurs was neglected in empirical research until the 1980s. Initiated by the approach of Behavioral Economics, the number of studies that deal with the effects of emotions in organizations has risen strongly in the last ten years. A number of studies demonstrated the positive influence of positive emotions on attention, perception or decision making. Although this underlines the importance of considering emotions in entrepreneurship research, research so far has mainly neglected the entrepreneur’s emotions and their affects on business performance. The following study focuses on the affects of joy of entrepreneurship on the development of workplaces – mediated by business performance. It makes a unique contribution to the literature by empirically testing the theoretical concept of reciprocal determinism in the case of entrepreneurs’ emotions using a longitudinal study.

Hypothesis

1. Baseline stability model: Joy of entrepreneurship, business performance, and workstation development each affect themselves over a long-term period.
2. Fully synchronous model: joy of entrepreneurship affects workplace development whereby business performance mediates this relationship.
3. Fully lagged model: Affects of workstation development and business performance on later joy of entrepreneurship.

To analyze the two-wave longitudinal structural equation models, 200 data were collected from a nationwide annual entrepreneur survey in Germany over four years.

Results and Implications

Results confirm all hypotheses of the baseline stability model (1) as well as the fully synchronous model (2). There was no reciprocal effect of a lagged affect of business performance or development of workstations on later joy of entrepreneurship (3). Finally, model (4) cannot be totally confirmed. The achieved results demonstrated that joy of entrepreneurship is stable over a long time, but it has only a strong affect directly on business performance and indirectly on workplaces performances. Compared with this, economic key figure influences over a longer time than emotions does.

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