POSITIVE MOOD AND OPPORTUNITY EXPLOITATION: THE ROLE OF PRIOR KNOWLEDGE (Interactive Paper)

Qian Ye  
*University of Louisville, qian.ye@louisville.edu*

Sherry Thatcher  
*University of Louisville*

Sharon Kerrick  
*University of Louisville*

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Principal Topic

In this study, we examine the role that positive mood plays in entrepreneurs’ decisions to exploit opportunities. We maintain that the influence of positive mood on opportunity exploitation depends on the level of prior knowledge. Mood influences are stronger among entrepreneurs who lack sufficient prior knowledge than those who have prior knowledge associated with the opportunity.

Methods/Key Propositions

This study uses four groups of respondents in a randomized 2 (positive or neutral mood) × 2 (high vs. low prior knowledge) factorial experiment design. A sample of 110 undergraduate students in a central eastern university in the U.S. who enrolled in entrepreneurship courses in fall 2012 participated in this experiment. A case scenario methodology is used to capture opportunity exploitation. To avoid task scenario effects, all participants read the same scenario. Five independent samples of students were invited to participate in one pilot test and four pretests on mood manipulation, prior knowledge manipulation, and case scenario before the implementation of the main experiment.

The dependent variable, entrepreneurs’ decision to exploit opportunity, is measured by six continuous scales. Examples of opportunity exploitation are the likelihood (%) a participant will act on the business idea and the likelihood a participant will spend time researching the industry and market described in the business idea. Positive mood is captured by a 7-item measure anchored on a 0-7 scale that integrates the MSF scale in Peterson & Sauber (1983) and a positive mood measure by Pham (1998). Prior knowledge is captured by a set of objective multiple choice and open-ended questions that assess participants’ knowledge of the industry, market, customer problems, associated technology, and ways to serve the market. Further, a scale adapted from Zhao et.al (2005) on perceived prior knowledge is included. We use a 2 ×2 ANOVA for our data analysis.

Results and Implications

This research will make an important contribution to the affect literature as well as contribute to the entrepreneurship literature by improving our understanding of entrepreneurial decision making. Our results suggest that entrepreneurs need to pay close attention to their affective well-being and momentary mood states, especially when pursuing entrepreneurial opportunities.

CONTACT: Ye, Qian; qian.ye@louisville.edu; (T):502-852-4874; (F):502-852-4799; University of Louisville, College of Business, Management and Entrepreneurship Department.