ROLE WITH IT: THE IMPACT OF ROLES AND HEURISTICS ON ENTREPRENEURS’ EVALUATION OF OPPORTUNITIES

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Abstract

Extant research suggests that entrepreneurs’ identities influence the venture creation and management process. However, we know little about how role identities influence how entrepreneurs think about—and select—opportunities. Employing verbal protocol and content analysis techniques, we show that, depending on the role assumed, entrepreneurs attend to different opportunity features and make different decisions with regard to opportunity consideration and selection. In doing so, entrepreneurs also rely on different heuristics to guide their selection of opportunities. As such, role identity may have an important influence on the pattern of growth and pursuit of new ventures.

Introduction

Entrepreneurs do not always behave entrepreneurially, and they often take on different roles as they start, manage, and grow their ventures. These roles reflect the myriad decisions facing entrepreneurs in an increasingly dynamic environment. However, we know little about the way in which entrepreneurial identities influence how entrepreneurs think about—and select—different opportunities. Given the influence of social and role identities on entrepreneurs’ motivations, passions, cognitions, and behaviors as they start, manage, and grow their new ventures (Cardon, Wincent, Singh, & Drnovsek, 2009; Fauchart & Gruber, 2011), and the influence of role schemas on entrepreneurial cognition and opportunity evaluation (Corbett & Hmieleski, 2007), differences in role identities also likely influence how entrepreneurs evaluate and select opportunities.

When considering opportunities, entrepreneurs must decide which opportunities to pursue and which opportunities to ignore, as not all opportunities are equally attractive, and entrepreneurs do not possess unlimited resources to exploit all possible opportunities. Sometimes, the decisions entrepreneurs make are based on a vast and deep reservoir of knowledge concerning the opportunity in question, but more often, their selection processes rely on simplifying strategies, commonly called heuristics (Holcomb, Ireland, Holmes Jr., & Hitt, 2009). Heuristics are short-cuts—decision rules to reduce complex judgments into more simple cognitive operations (Kahneman, Slovic, & Tversky, 1982). By allowing entrepreneurs to select, prioritize, and execute opportunities from a larger set of possibilities, heuristics are often employed by entrepreneurs to simplify opportunity evaluation and decision-making. Heuristics significantly impact not only how entrepreneurs evaluate a given opportunity but also what opportunities they consider (Bingham, Eisenhardt, & Furr, 2007; Simon, Houghton, & Aquino, 2000).
To date, entrepreneurship research has not fully explored the link between entrepreneurial role-taking and consideration and selection of opportunities, nor how different roles influence entrepreneurs’ heuristic-based logic (Miner & Raju, 2004; Mitchell et al., 2007). We suggest that differences in the roles assumed by entrepreneurs in their new ventures influence the use of heuristics, which in turn, alters the way in which entrepreneurs make decisions regarding opportunities. As such, we answer the following research question: how do differences in role identities and heuristics influence how entrepreneurs think about—and select—opportunities?

To address this question, we draw from social psychology theory on identity, and integrate it with extant theory in entrepreneurial action and cognition. We employed quasi-experimental verbal protocol techniques with twenty-five entrepreneurs to study the influence of role identity on entrepreneurs’ consideration—and selection—of opportunities. Specifically, we presented entrepreneurs with three role scenarios (Entrepreneur, Manager, Investor) and asked them to make decisions on what opportunity(ies) they would pursue given the specific role. We content analyzed the entrepreneurs’ verbalized considerations of opportunities when assuming each role identity.

We contribute to the literature in three significant ways. First, we show that depending on the role assumed, entrepreneurs may make very different decisions with regard to opportunities considered and selected. As such, role identity has an important influence on the pursuit and pattern of growth of new ventures. Second, we draw on role identity theory to provide insight into the risk profiles of entrepreneurs. Although some research indicates that entrepreneurs may perceive less risk than other individuals, we show that their consideration of risk may be role-specific in addition to opportunity-specific. Third, we further the understanding of entrepreneurs’ use of heuristics, specifically in their consideration and selection of opportunities. We find that different roles influence which decision heuristics entrepreneurs employ with regard to risk, narrowing the scope of opportunities, and opportunity type. Overall, we shed light on how different roles and heuristics shape entrepreneurs’ evaluation and selection of opportunities.

**THEORETICAL BACKGROUND**

**Role Identity Theory**

*Role identity theory* concerns the differences in perceptions and actions that accompany a role, and roles are social positions that carry expectations for behavior and action (Jain, George, & Maltarich, 2009). Entrepreneurs assume various roles, many of which are non-entrepreneurial in nature, and thus make entrepreneurial, investment, or managerial decisions. Although not every decision is *only* an entrepreneurial, managerial, or investment decision, certain decisions reflect a stronger orientation towards one role or the other. For example, choosing to pursue a new venture opportunity (i.e., an entrepreneurial decision) considerably differs from selecting how many employees to staff on the weekends (i.e., a managerial decision).

According to role identity theory, an entrepreneur’s role will be influential in forming heuristics and guiding the decision-making process. Recent research demonstrates that entrepreneurial role identities “are critical elements within entrepreneurs’ self-concepts that drive behavior” (Murnieks & Mosakowski, 2007: 1), and that entrepreneurs often have several distinct role identities within their concept of self. Cardon and colleagues (2009) suggest that founders may have a passion
for different aspects of being an entrepreneur (e.g., opportunity recognition, venture creation, or venture growth) that lead to and reinforce specific founder role identities. These role identities influence goal-related cognitions and thus identity-specific entrepreneurial behaviors and outcomes (Cardon et al., 2009: 519). Thus, an entrepreneur assuming different roles within a new venture (e.g., entrepreneurial, investing, and managerial roles) may initiate a different set of cognitive processes and judgmental heuristics that influence decisions on key firm outcomes. However, there has been little research examining the roles assumed by entrepreneurs as they manage their new ventures, especially with regards to the identification, evaluation, and selection of opportunities (c.f., McMullen & Shepherd, 2006). Given what we know from role identity theory, it seems likely that the different roles assumed by entrepreneurs will influence the way in which they think about and select different opportunities. As such, we use an approach that allows us to explore this phenomenon as well as capture the thought processes of entrepreneurs as they assume different roles while considering and selecting opportunities.

**METHODS**

**Research Design**

In this study, we conducted verbal protocols with twenty-five entrepreneurs, who were both founders and owners of an existing organization. In order to evaluate the impact of role identities on entrepreneurs’ heuristics for consideration and selection of opportunities, we presented the participants with three hypothetical scenarios reflecting three different roles that entrepreneurs may assume in their new venture: Investor, Entrepreneur, and Manager. Each entrepreneur considered all three scenarios, and the order of presentation of scenarios varied randomly. Our use of hypothetical scenarios to explore decision-making is consistent with extant research in management and entrepreneurship (e.g., Palich & Bagby, 1995; Williams & Grégoire, 2010). Table 1 includes the full text of each role scenario.

The use of verbal protocols allows researchers to “hear” the cognitive patterns behind individuals’ decisions (Ericsson & Simon, 1993). By allowing entrepreneurs to “think out loud” as they consider opportunities and make decisions on which opportunity(ies) to select, one can begin to understand not only what opportunities are ultimately selected but the thought processes behind those decisions. Although these scenarios represent hypothetical situations, this research approach gives us a first-person insight into how entrepreneurs evaluate and select among the myriad opportunities available to them (Haynie, Shepherd, & McMullen, 2009).

Role identity theory suggests that when individuals take on a specific role, they often think or act differently than when they take on a different role. Therefore, we selected these three roles due to their importance to entrepreneurs as they found and manage their new ventures. The literature is clear that entrepreneurs do not always assume the role of “entrepreneur” in the course of managing their new venture. For example, Gartner, Starr, and Bhat (1999) posit that entrepreneurs expend effort on a variety of broad classes of behaviors such as finding and refining the opportunity (an “entrepreneurial” role) and operating the business (a “managerial” role). Further, entrepreneurs often must decide how to allocate potentially scarce personal and business financial resources. This “Investor Role” reflects the decisions entrepreneurs must make with regards to these resources: invest all resources in a single business, invest in multiple businesses, or invest excess financial resources in outside assets (Westhead, Ucbasaran, & Wright, 2005).
Data Analysis and Verbal Patterns Across Roles

In order to understand the differences in how entrepreneurs think about and select opportunities in these roles, we content analyzed (Krippendorff, 2004; Weber, 1990) the entrepreneurs’ verbalized considerations of opportunities in each role/scenario. We followed the five-step inductive approach to content analysis advocated by Short, Broberg, Cogliser, & Brigham (2010).

The iterative content analysis process yielded three main themes that vary across roles: Risk Attention, Scope of Opportunities, and Opportunity Orientation. Risk Attention reflects the extent to which entrepreneurs attended to risk as part of their consideration of opportunities in each role. For Scope of Opportunities, we created dictionaries for three categories of scope (narrow, moderate, and broad) based on Rumelt’s (1974) classification of diversification. Finally, we created dictionaries for three different categories of Opportunity Orientations consistent with the extant literature: entrepreneurial (Lumpkin & Dess, 1996), market (McNamara, 1972), and long-term (Bearden, Money, & Nevins, 2006) orientations. Table 2 summarizes these dictionaries.

We then constructed word frequencies, case occurrences, and correlations between the constructs and roles. Word frequency counts how often a word from a respective dictionary, such as our Risk Attention dictionary, is used; whereas, case occurrence counts how many respondents referred to words from a given dictionary. These procedures allow us to demonstrate, in a reliable and replicable manner, that (1) entrepreneurs use different opportunity-related language when assuming different roles and (2) our constructs significantly vary by role.

**Risk Attention**

Entrepreneurs exhibit numerous cognitive biases in their decision-making (Foo, 2011), particularly with regard to risk and opportunity evaluation (cf., Keh, Foo, & Lim, 2002; Simon et al., 2000). Together, this research indicates that entrepreneurs’ perceptions of risk are influenced by biases and heuristics. We find that entrepreneurs use considerably less risk-related language (e.g., risk, safe, stable) in their considerations and selection of opportunities in the Entrepreneur Role than when assuming the Manager or Investor Roles. In fact, of our twenty-five entrepreneurs, only two used risk-related language in the Entrepreneur Role, and their use was limited to only four risk-related words across both entrepreneurs. Entrepreneurs in the Entrepreneur Role focused on putting the slack resources presented in the scenario back into their business, without regard for the level of risk. Below, we show one such contrast between the Entrepreneur and Investor Roles.

_I would want to know what’s the risk, return, and investment strategy for the technology company… I’ve got kids starting college and I would want the security of having those funds sitting there for college… The other question for me is—does that [technology stock] diversify me more or less? Am I too concentrated in it? So it’s a very difficult question to answer._

– Construction / Real Estate, Investor Role

_If the business was needing the money, I would probably feel very comfortable throwing it back into the company._

– Construction/ Real Estate, Entrepreneur Role

Further, the decision to re-invest without attending to risk appears to be a learned heuristic. Below, an entrepreneur explains that he learned this particular heuristic from other entrepreneurs.
I wouldn’t take it [money from the business] out. That’s sort of a learned thing from watching other entrepreneurs. – Social Networking Website, Entrepreneur Role

In the Manager Role, entrepreneurs center their thoughts on how to mitigate risk. For example, the owner of a construction company discusses that he would do a cost-benefit analysis before deploying the resources presented in the role scenario. Similarly, a web design firm owner discusses conducting extra research before selecting a final opportunity.

I would do a cost benefit analysis of looking and seeing how can I deploy this [money].
– Construction/ Real Estate, Manager Role

I would look hard at various markets and at what the people are wanting. Then, I would open a new store/chain in the new market according to research. No matter how good the t-shirt store is doing it may or may not last. Branching out into new, upcoming markets will help ensure my survival, even if the original t-shirt company eventually fails. – Web Design, Manager Role

In contrast to the Entrepreneur and Manager roles, entrepreneurs in the Investor Role make heavy use of risk-related language. This does not mean that entrepreneurs take more risk in the Investor Role, only that they more frequently consider risk while thinking about opportunities.

Am I that much of a gambler? I’m not willing to just step out and take that swing of the bat… I’m not a high-risk taker. – Social Networking Website, Investor Role

I would use the $100,000 to follow through on a start-up idea… I feel much more in control. I am not held hostage to the ebb and flow of the stock market. – Fitness Center, Investor Role

Our findings indicate that in an Entrepreneurial Role, entrepreneurs attend to risk less than in other roles and suggest that entrepreneurs take on the respective identity of a role. Thus, entrepreneurs’ assumption of an entrepreneurial role influences the heuristics used to select opportunities and thus their consideration of risk related to those opportunities. Formally:

Proposition 1: In an entrepreneurial role, entrepreneurs use decision heuristics that de-emphasize risk considerations.

Our findings that, when in the Manager Role, entrepreneurs focus on mitigating risk parallels the view in the literature that (1) managers and entrepreneurs have different risk propensities (cf., Miner & Raju, 2004; Stewart & Roth, 2001), (2) managers may be less susceptible than entrepreneurs to cognitive biases (Busenitz & Barney, 1997), and (3) managers may perceive greater risks in certain situations (Simon et al., 2000). As such, consistent with our findings, individuals in managerial roles may take a different approach to decision-making, wanting to build a greater understanding of the situation, their business, and/or the market before they select an opportunity and take action (Palich & Bagby, 1995).

However, our findings that entrepreneurs de-emphasize risk in the Entrepreneur Role suggest that when entrepreneurs take on an entrepreneurial role, they may overemphasize the extent to which their skills can increase their performance in situations where chance or skill is not necessarily the deciding factor (Langer & Roth, 1975). This cognitive bias, referred to as illusion of
control, occurs because individuals believe that they can largely control uncontrollable events or they can accurately predict unknown outcomes (Langer & Roth, 1975; Simon et al., 2000).

In sum, these results suggest support for the context-dependent view of risk which argues that it is the specific situation which influences how the entrepreneur perceives risk. As such, the entrepreneur does not perceive starting a business as less risky than others (e.g., managers) but instead views a specific opportunity that he/she has identified as less risky than others. The context-specific view of entrepreneurs’ risk perception suggests that the entrepreneurs’ context matters—both the specific opportunity and the overall decision context. In our study, the decision context varies between the role assumed by the entrepreneur.

Building on role identity theory, we believe that differences in risk attention occur due to the role imparted to the individual, rather than fundamental differences between individuals. We see a similar pattern between the Entrepreneur and Investor Roles in our study. The quotations above demonstrate that when provided with an additional $100,000 but different roles (Investor versus Entrepreneur), entrepreneurs valued risk-related decision-making heuristics very differently. Entrepreneurs in the Investor Role use judgmental heuristics of risk and return to evaluate opportunities that are not present in their Entrepreneur Role. Modern portfolio theory suggests there is an inherent trade-off between risk and return; therefore, holding all one’s assets in a single stock or entity may be a highly risky investment strategy (Chatterjee, Lubatkin, & Schoenecker, 1992). In our study, entrepreneurs perceived the risk of “gambling” and uncertainty when given the Investor Role. However, this same concern was not verbalized when given similar financial resources in the Entrepreneur Role; instead, they selected opportunities without attention to risk.

Taken together, the risk propensity view suggests that entrepreneurs perceive less risk than others (e.g., managers), while the context-dependent view qualifies this perspective by adding that one’s context, or situation, will influence risk perceptions. We posit that the differences noted in the risk propensity view (i.e., that managers and entrepreneurs are different), reflect differences in the situation or context, specifically role. This leads us to propose that:

**Proposition 2:** Differences in biases and heuristics related to perceptions and consideration of risk between managers, investors, and entrepreneurs represent differences in roles rather than differences between groups of people.

**Scope of Opportunities**

By *scope of opportunities*, we refer to the degree to which the opportunity(ies) entrepreneurs consider and select relate to the entrepreneur's current venture. We draw from Rumelt's (1974) conceptualization of relatedness and examined the breadth of opportunities that entrepreneurs considered. This led us to three categorizations of scope—narrow (i.e., single and dominant-business, low diversification), moderate (i.e., related-business, moderate diversification), and broad (i.e., unrelated-business, high diversification). As such, we focus on variation in entrepreneurs’ selection heuristics by role. Selection heuristics function like a filter—confining the scope of ideas and opportunities into a range of likely pursuits (Bingham et al., 2007). Selection heuristics are the rules for choosing an opportunity; they help narrow the myriad opportunities available to entrepreneurs by specifying which options to consider and which to ignore.
Entrepreneur Role

We found that entrepreneurs in the Entrepreneur Role tend to use language related to a narrow scope of opportunities. They strongly indicated that they would only consider and select opportunities very closely related to their existing business as the quotations below indicate.

Well, that’s one thing that we’ve always done, is always stick to the knitting. You don’t deviate off into areas you don’t know about. We don’t go off into different, other avenues. If it’s associated with it, and it complements it, yes. But otherwise we don’t go off selling ice-cream or something like that. It has to be related or complementary. Cause that’s what we know. That’s what we do all day, everyday. And you get good at it. You have to specialize in a niche field and that’s what we’ve done. – Auto Parts Manufacturer, Entrepreneur Role

The things I think of are usually related in some way [to my current business] because I enjoy what I do so much. – Illustrations, Entrepreneur Role

We find that in the absence of a pre-specified opportunity, entrepreneurs in the Entrepreneur Role use selection heuristics to narrow the scope of the opportunities they consider. Extant research suggests a number of reasons why entrepreneurs do this. First, opportunities that are more closely related to an entrepreneur’s human capital will be significantly more attractive to the entrepreneur (Haynie et al., 2009) as entrepreneurs leverage their human capital by taking advantage of the “strategic relatedness” between their human capital and an opportunity (Markides & Williamson, 1996). Secondly, prior knowledge is a vital antecedent to opportunity recognition and selection as entrepreneurs notice information that is related to the information they already know. Therefore, entrepreneurs will select opportunities within the realm of what they know (e.g., Ardichvili, Cardozo, & Ray, 2003; Shane, 2000), as exemplified by the quotation below.

I guess it would probably be easiest for me to speak to something I know, and opening up that second location would be the easiest thing. – Fitness Center, Entrepreneur Role

Research has also shown that success biases one’s decision-making by restricting the set of possible choices down to only those that have been tried out and have performed successfully (Minniti & Bygrave, 2001). For example, even if individuals have experienced failed projects or ventures, they likely believe that their future pursuits will be somehow novel, better, or different than either competitors or their own past endeavors (Keh et al., 2002). Although entrepreneurs may learn from failed experiences, they generally draw on past positive experiences to select their opportunities (Minniti & Bygrave, 2001). Thus, if their business has experienced success, entrepreneurs will employ selection heuristics to consider only those opportunities that align with their human capital, prior knowledge, and past successes, such as re-investing that money in their current business. We present this proposition formally below.

Proposition 3: In an entrepreneurial role, entrepreneurs use selection heuristics based on prior knowledge and past experiences to narrow the scope of opportunities considered and selected to those highly related to their current venture.
Manager Role

When assuming the Manager Role, entrepreneurs altered their decision heuristics from a focus on narrowly-related opportunities in the Entrepreneur Role to considering and selecting opportunities moderately-related to their current opportunity. Once again, the entrepreneurs’ prior knowledge influenced their thinking, but in the Manager Role, entrepreneurs broadened their decision-making to also include factors related to the firm and its competencies.

*It would be based on so many factors. Do I need to invest in training for our workforce? Is our equipment outdated? I would look at what the company has done in the past and probably start there… I would look at it holistically.* – Architectural Firm, Manager Role

Entrepreneurs in the Manager Role may consider not just what the firm has done but also what it is capable of doing, even if the firm is not currently exploiting these opportunities. In doing so, they follow what is known with respect to corporate diversification strategy (i.e., putting all one’s eggs in similar baskets) (Lubatkin & Chatterjee, 1994). In general, studies find support that related diversification provides the optimal level of benefit to the firm (Palich, Cardinal, & Miller, 2000).

*Depending on store locations and market share, I would invest a third of it maybe in new locations. I would invest it in additional product lines, like hats. I would look at who is buying my t-shirts. I might do funky shoes and flip-flops. I would probably also come up with a high-end product, depending on what my market focus is. I would look at new product offerings.* – Speech Consulting, Manager Role

In the Manager Role, entrepreneurs exemplified this focus on related diversification. For example, an entrepreneur suggested that she would look at new product offerings, specifically naming products closely related (e.g., hats, shoes, and flip-flops) to the role scenario company’s core business (t-shirts) and customers. This heuristic of related diversification suggests that entrepreneurs in a managerial role select opportunities that are tangentially related to one’s current business. Thus, we suggest that when entrepreneurs operate in managerial roles, they will likely consider a moderate scope of opportunities, which will be related to their current business.

*Proposition 4: In managerial role, entrepreneurs use selection heuristics based on related diversification to narrow the scope of opportunities considered and selected.*

Investor Role

We found that entrepreneurs in the Investor Role considered the broadest scope of opportunities, generally following investing-related heuristics focused on diversification.

*It goes to the whole - don’t put all your eggs in one basket.* – IT/AV Home Installation, Investor Role

*I would not put it in the high-tech stock… I believe in diversification.* – Management Consulting, Investor Role

*I like funds better than individual stocks. I doubt I would put it [money] in the same place… I can’t imagine me tying all my potential up in one place.* – Accounting Firm, Investor Role
The language used by entrepreneurs in the Investor Role refer to common investment rules, such as the $1/N$ heuristic (i.e., allocating your money equally to each of $N$ funds), to reduce or eliminate unsystematic risk (i.e., investment specific risk) by investing in a number of unrelated investments (Gigerenzer, 2008). This suggests that investing roles stimulate entrepreneurs to think about diversification. Although this seems counter to the notion of selection heuristics (i.e., narrowing one’s focus), entrepreneurs in an investing role still have focus—balancing risk and return by diversifying into a broad scope of opportunities. Formally:

**Proposition 5:** In an investing role, entrepreneurs use selection heuristics based on diversification, thus considering a broad scope of unrelated opportunities.

**OPPORTUNITY ORIENTATION**

Orientation is the lasting direction of thought, inclination, or interest (Merriam-Webster, 2011). While risk and scope guide the parameters for opportunity consideration and selection, opportunity orientations tell us more about the types of opportunities considered and selected by entrepreneurs. As entrepreneurs assume various roles, they enact distinct identity orientations that carry unique social motivations, types of significant self-knowledge, and sources of self-worth (Brickson, 2000). In general, how an entrepreneur orients him/herself to the situation may be largely dependent on the hat the entrepreneur is wearing at the given time. Therefore, an entrepreneur’s “hat” (i.e., role) may orient him/her to pursue a specific path.

**Entrepreneurial Orientation**

*One of our commitments to our members is to constantly innovate and improve, so I stay ahead of the curve on social media, technology, and communications.* – Referral Agency, Entrepreneur Role

*I would finance our new venture because I think it’s really hot.* – Garden Products, Entrepreneur Role

*I would love to open up a proprietary trading business.* – Frozen Yogurt Restaurant, Entrepreneur Role

The language in the Entrepreneur Role reflects the language of entrepreneurship. Entrepreneurship is about action, and the essential act of entrepreneurship is new market entry—the launching of a new venture or entering established markets with new or existing goods or services. **Entrepreneurial orientation (EO)** refers to the processes, practices, and decision-making activities that lead to new entry (Lumpkin & Dess, 1996).

We found that when imparted with the Entrepreneur Role, entrepreneurs had a willingness to: act autonomously, innovate, be aggressive, and be proactive. That is, in the Entrepreneur Role, individuals quickly and decisively selected opportunities that generally involved the pursuit of new ventures or new entry. This leads us to propose the following:

**Proposition 6:** In an entrepreneurial role, entrepreneurs employ heuristics to select opportunities consistent with an entrepreneurial orientation.
Marketing Orientation

I would see what improvements are needed at each location. I would look at additional marketing funds to promote better brand awareness. I would let each location have a company event, like a BBQ - invite current clients and new clients, promote new products and services.
– Document Management Solutions, Manager Role

That would depend on how much I had in the bank at that time, saved up. If I have enough for everything saved up in case the economy crashes and everything, I would probably look at expanding it [Thrifty Threads] and look at the international market… I would spend some of the money on market research in figuring out where would be the best place for this money.  
– Web Design, Manager Role

Although the Entrepreneur Role incites action, when given this Manager Role, entrepreneurs largely act in the way managers have been characterized—as cautious decision-makers (Busenitz & Barney, 1997). Further, entrepreneurs in the Manager Role select different opportunities than when assuming other roles. In contrast to the Entrepreneur Role focus on new entry, entrepreneurs in the Manager Role center on a marketing orientation. McNamara (1972) defines market orientation as a business philosophy based on (1) customer orientation, (2) profit orientation, and (3) coordinated marketing activities. Entrepreneurs assuming the Manager Role emphasized these three pillars of marketing orientation. Therefore, we propose that:

Proposition 7: In a managerial role, entrepreneurs employ heuristics to select opportunities consistent with a marketing orientation.

Long-Term Orientation

Finally, we find that entrepreneurs in the Investor Role often concerned themselves with issues related to time. For example, the owner of a health care firm looked for opportunities related to long-term growth, and the owner of a trucking company identified a long-term goal (his granddaughter’s college) as a factor in his decision-making.

I would find things that provide stability and long-term growth… You’ve got to budget, whatever you do, you budget. – Health Care Non-Profit, Investor Role

I’d think about retirement. I need to think about that, so I would invest some in a very secure retirement fund that would pay dividends—no risk there. – Speech Consulting, Investor Role

What if this [business] concept that I have takes off? I would never have even thought about that. I don’t even think in that kind of future. – Speech Consulting, Entrepreneur Role

Long-term orientation refers to the tendency to value the future rather than the “here and now” (Hofstede, 1984). Given the use of investing heuristics when entrepreneurs assumed the Investor Role, it is not surprising to see a long-term orientation also reflected in their consideration and selection of opportunities. Investing often concerns the future—the stock market moves with future expectations, individuals invest based on future estimates, and people save money for future needs, such as retirement or their children’s college education. As such, in the Investor Role, individuals consider and select opportunities with a longer time horizon than when assuming
the other roles. In fact, even when entrepreneurs saw the Investor Role first and used a long-term orientation in their consideration and selection of opportunities, they still infrequently verbalized the long-term consequences of their actions in the Entrepreneur Role. This leads us to propose:

Proposition 8: In an investing role, entrepreneurs employ heuristics to select opportunities consistent with a long-term (future) orientation.

DISCUSSION

The way in which opportunities are discovered, evaluated, and exploited is fundamental to the field of entrepreneurship. This study focuses on evaluation and selection—two activities which are inextricably linked to the entrepreneurial process (Haynie et al., 2009). We find that when given different roles, entrepreneurs not only evaluate different opportunities but they think differently when evaluating and selecting those opportunities.

Implications for Role Identity and Opportunity Selection

Ultimately, entrepreneurs must select opportunities. Without action (e.g., opportunity selection), entrepreneurship cannot occur. In this paper, we suggest that different roles facilitate differences in opportunity selection among entrepreneurs. In an investing role, entrepreneurs select opportunities with an eye for the future. Long-term growth, financial planning, and retirement are at the forefront of their cognitive processes. In an entrepreneurial role, few entrepreneurs consider these longer-term concerns; instead, they focus on the “here and now” by aggressively pursuing venture activities. In a managerial role, they first look holistically at options, and then choose opportunities centered on better understanding their customers, making a return on investment, and improving their company’s marketing, product development, and branding efforts.

Entrepreneurs take on role identities within their respective businesses, which influence (1) their day-to-day actions within that business, and (2) their selection of future venture and growth opportunities. Entrepreneurs who focus heavily on the day-to-day operations of their company may become so engrossed in managerial roles that they forget or lack the necessary time to concentrate on entrepreneurial growth. Similarly, those too far removed from the day-to-day, managerial tasks of the company may lose touch with the business needs of their organization; their focus on launching new ventures and pursuing new opportunities may distract from their ability to select opportunities related to the managerial functions of their existing company(ies).

As roles influence the decisions entrepreneurs make, role identity has an important effect on the pattern of growth and pursuit of new ventures. Maintaining an appropriate balance between investing, managerial, and entrepreneurial roles may be optimal for opportunity selection. Taken together, we suggest that role identity influences not only how entrepreneurs think about opportunities but also what opportunities they choose to pursue. These “selected” opportunities influence the strategic direction and the growth and survival of the firm.

Implications for Role Identity and Risk Perceptions

Another important contribution of our research pertains to risk perceptions and role identity. We found that even when we presented entrepreneurs with the Investor Role first, and they were primed to
think about risk, they did not attend to risk in the Entrepreneur Role. Entrepreneurs in the Entrepreneur Role did not use risk-related language when re-investing back into their business. In contrast, when the same entrepreneurs assumed the Investor Role, their attention to the riskiness of re-investing into their “high-performing” stock increased considerably. As such, our study suggests that while entrepreneurs may consider and attend to risk at the onset of their venture, that risk is rarely on their radar when they make decisions to grow and expand their new venture.

This finding is important to both theory and practice. From a theory perspective, our results provide evidence for the context-dependent view of risk. We posit that risk perceptions are not simply derived from one’s innate personality preferences nor a trait of risk-seeking or aversion, but rather, entrepreneurs’ risk perceptions are highly influenced by the context in which potential opportunities arise. Specifically, our findings suggest that one’s role as an entrepreneur may supersede one’s personal risk preferences, further supporting prior research that risk preferences are not trait-based but instead may be context- or opportunity-specific (Murnieks & Mosakowski, 2007). From a practice perspective, our results suggest there may be a place in entrepreneurial teaching and training for improving the understanding of risk implications. Finance and management disciplines have general guidelines (i.e., heuristics) pertaining to risk that the entrepreneurship discipline may lack. We do not advocate pedagogy that would necessarily deter entrepreneurs from launching potential ventures or re-investing in their own companies, but simply, that we should ensure current and future entrepreneurs are aware of the risk implications of their actions as they grow and manage their new ventures.

Implications for Heuristics and Diversification

Finally, our results indicate that managing, investing, and entrepreneurial roles initiate different sets of heuristics for opportunity selection decisions. For example, in an investing role, entrepreneurs heavily rely on heuristics (e.g., 1/N heuristic) to make decisions. In a managerial role, entrepreneurs rely on research and planning to mitigate risk and select among opportunities. In an entrepreneurial role, entrepreneurs use heuristics to narrow their scope of opportunities and select investments within their realm of knowledge, skills, abilities, and past successes.

As we mentioned earlier, it is interesting that entrepreneurs did not hesitate to re-invest $100,000 in their current business, yet balked at the decision to re-invest the same $100,000 in a high-performing technology stock which earned them the money. Diversification strategies are a mainstay of strategic management and also highly important in the investment literature. Past research has investigated the “eggs in different baskets” and “eggs in similar baskets” paradigms, especially with regard to personal or portfolio investing. Our findings indicate that given investing and managerial roles, entrepreneurs follow these respective rules-of-thumb for diversification. However, when acting in an entrepreneurial role, entrepreneurs fail to acknowledge diversification as a strategy for their own businesses, and instead select an “eggs in one basket” approach despite the fact that investment theory views this approach as particularly risky, and management theory views this approach as potentially sub-optimal.

Heuristics guide entrepreneurial actions and are important in the process of entrepreneurship. Similar to our recommendations for risk, we promote raising awareness of the heuristics entrepreneurs frequently use and the biases that underpin them. In some cases, by challenging long-standing assumptions, entrepreneurs may operate on more accurate information, and thus, be guided toward making better decisions regarding opportunities.
CONCLUSION

Research on entrepreneurial cognition has recently drawn increased attention, yet the notion that entrepreneurs think differently from other groups persists. Our study challenges this long-held view through a decision scenario research design. Our findings suggest that one’s role largely influences the heuristics used, and entrepreneurs rely on these heuristics to perceive risks, narrow their scope of opportunities, and orient toward a particular set of opportunities. By examining the crossroads of roles and heuristics, we hope to advance our understanding of how entrepreneurs evaluate and select opportunities, and thus act entrepreneurially.

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NOTES

1. Throughout the text, we use capital letters to designate the role (e.g., Entrepreneur Role, Manager Role, Investor Role) assumed by the entrepreneurs who participated in our study.
2. We also conducted analyses using word frequency. The results were not substantively different.

REFERENCES


**TABLE 1**

<table>
<thead>
<tr>
<th>Scenario / Role</th>
<th>Text Presented to Each Participant (one at a time)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scenario 1 – Investing Role</strong></td>
<td>Imagine that you currently have $100,000 in a high-performing technology stock. You receive an additional $100,000 as a gift from a family member and are trying to decide where to invest it. What would you do with the additional $100,000 and why?</td>
</tr>
<tr>
<td><strong>Scenario 2 – Entrepreneurial Role</strong></td>
<td>Imagine your business has experienced considerable success this past year and you have an extra $100,000 to invest in anything. What would you do with the additional $100,000 and why?</td>
</tr>
<tr>
<td><strong>Scenario 3 – Managerial Role</strong></td>
<td>Imagine you are the Vice President for Thrifty Threads – a discount t-shirt store with locations across the United States and Canada. Your company has done well recently and the CEO has given you an extra $10 million and asked that you find the best way to invest this money. What would you do with the additional $10 million and why?</td>
</tr>
</tbody>
</table>

**TABLE 2**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Content Analysis Words</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Attention</strong></td>
<td>Basket*, conservative, control, diverse, diversify, egg*, emergency, long term, risk*, safe*, secure, security, stable, stability, tolerant, tolerance</td>
</tr>
<tr>
<td><strong>Scope of Opportunities</strong></td>
<td></td>
</tr>
<tr>
<td>Narrow Scope</td>
<td>Back in, bigger, core*, don't deviate, expand*, expansion, focus, identical, increas*, keep, larger, narrow, niche, reinvest, retain, specializ*, specific, stay, stick to, upgrade</td>
</tr>
<tr>
<td>Moderate Scope</td>
<td>Add*, affiliat*, associate*, complement*, improve*, increas*, more, relate*, similar</td>
</tr>
<tr>
<td>Broad Scope</td>
<td>Basket*, branch*, change, create, different, diverge*, divers*, divide, explor*, fund*, go outside, launch, mix, other avenue*, spread*, start, unrelated, untapped, varied, vary</td>
</tr>
<tr>
<td><strong>Orientations</strong></td>
<td></td>
</tr>
<tr>
<td>Long-Term Orientation</td>
<td>Age, budget, college, education, future, grow*, implication*, investment, IRA, long term, pay off, persistence, personal, plan*, retire*, Roth, save, saving*, set aside, year*</td>
</tr>
</tbody>
</table>

* Indicates wildcard (e.g., risk* would include words such as risk, risky, riskiness, risk-taking, etc.)