FAILURE, HOPE, AND REENTRY: EXAMINING THE PROSPECT THEORY REASONING FOR SERIAL ENTREPRENEURS (SUMMARY)

Dan K. Hsu
hsudk@appstate.edu

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SUMMARY

FAILURE, HOPE, AND REENTRY: EXAMINING THE PROSPECT THEORY REASONING FOR SERIAL ENTREPRENEURS

Dan K. Hsu, Appalachian State University, USA

Principal Topic

Scholars (Spivak, Haynie, & McKelvie, 2014; Simmons et al., 2016) have endeavored to investigate a phenomenon that many failed entrepreneurs reentered entrepreneurship (Jenkins, Wiklund, & Brundin, 2014). An explanation is provided by prospect theory (Kahneman & Tversky, 1979) – these entrepreneurs regard the subsequent entrepreneurship choice as an opportunity to regain the wealth they have lost from the business failure. However, some failed entrepreneurs did not reenter (Jenkins et al., 2014). What makes this difference?

To answer this question, the current research integrates the concept of hope (Lazarus, 1999; Snyder, 2002) into prospect theory. The rationale for doing so is grounded in the prospect theory literature that suggests that people in the loss condition would choose a risky option in the hope (e.g., Levy, 1996; Brockner, 1992; Barberis, 2013) of winning back their loss (McDermott, 2004; Shoemaker, 2003). This research thus draws on the literature of hope (Lazarus, 1999), defined as “a positive emotion that reflects the extent to which one yearns for a possible (if uncertain) goal-congruent outcome” (Reimann et al., 2014; p. 350), to study the reentry intention of failed entrepreneurs. Specifically, we propose the positive relationship between the amount of loss and the reentry intention and the mediating role of hope to that relationship.

Method

To examine the mediating model, we conduct two experiments as suggested by Stone-Romero and Rosopa (2010). Utilizing a sample of 60 undergraduate students, Study 1 manipulates the amount of loss and measures hope and the reentry intention. Study 2 manipulates both the amount of loss and hope and measures the reentry intention.

Results and Implications

The results of Study 1 showed that the amount of loss decreased hope but increased the reentry intention. Additionally, the extent to which the participants feel hopeless decreased the reentry intention. The results demonstrated the competitive competition effect (Zhao, Lynch, & Chen, 2010). However, the relationship between hope and the reentry intention might be attributed to the correlational nature between the measures of hope and the reentry intention in Study 1. We are in the process to conduct Study 2 and will triangulate the results of both studies.

CONTACT: Dan K. Hsu; hsudk@appstate.edu; (T): +1 828 262 8122; Department of Management, Walker College of Business, Appalachian State University, ASU Box 32089, Boone, NC 26808, USA.