6-11-2011

THE ROLE OF AFFECT IN MULTIPLE PROCESSES OF ENTREPRENEURAL DECISION MAKING (INTERACTIVE PAPER)

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Recommended Citation
Ye, Qian (2011) “THE ROLE OF AFFECT IN MULTIPLE PROCESSES OF ENTREPRENEURAL DECISION MAKING (INTERACTIVE PAPER),” Frontiers of Entrepreneurship Research: Vol. 31 : Iss. 5 , Article 15.
Available at: https://digitalknowledge.babson.edu/fer/vol31/iss5/15

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Principal Topic

Although there is a burgeoning research interest in the affective aspect of entrepreneurial behaviour (Baron, 2008; Cardon et.al, 2009; Foo et.al, 2009), the literature remains largely silent about how affect operates in entrepreneurial decision making. However, recent developments in biopsychology and management science suggest that affect may play a more important role in decision making than previously recognized (Izard, 2009; Pham, 1998; Seo & Barrett, 2007). Affect not only influences the ongoing decision making process as an external force, but also directly serves as a critical information cue to a decision maker when she evaluates a task objective (Schwarz & Clore, 1983), so that affect may help the decision maker simplify overwhelming impulses into focused cognitive processes, and motivate adaptive actions (Izard, 2009). In this paper I explore the relationship between multiple decision-making processes and entrepreneurs’ feelings under an assumption that affect and cognition is independent but continually interactive. The extent to which affect interacts with cognition forms a pattern of affect-cognition schemas, from which multiple decision making processes derive. The influences of feelings will increase in processes in which entrepreneurs pay less attention to cognitive characteristics.

Method

I first distinguish task irrelevant feeling and two entrepreneurial task-relevant feelings: a general feeling toward entrepreneurship and a specific feeling toward a given business idea. Second, drawing on entrepreneurship literature, I distinguish five processes that entrepreneurs use to make entrepreneurial decisions: 1) affective; 2) effectual; 3) causal; 4) heuristic schemas-based; 5) expert schemas-based. By linking affect to multiple processes, I show that the influence of affect on entrepreneurial decision making is contextual dependant. I propose that: 1) entrepreneurial decision making is more likely to be influenced by a task-irrelevant feeling when entrepreneurs use heuristics in making decisions than employ expert-based schemas; 2) effectual decision making is associated with a general feeling toward entrepreneurship; whereas causal decision making involves a specific feeling toward a given business idea; 3) in the affective decision making process, entrepreneurs rely on their task-relevant feelings, but the task-irrelevant feeling has stronger moderating effects when entrepreneurs have a strong general feeling toward entrepreneurship than have a strong specific feeling toward a given business idea.

Results and Implications

This study will make an important contribution to our understanding the conditions under which affect will facilitate or destroy the effectiveness of entrepreneurial decision making.

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