ENTREPRENEURIAL OPTIMISM IN DEVELOPING ECONOMIES: A SOURCE OF UNREALISTIC BIAS OR A POTENTIAL BENEFIT? (SUMMARY)

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Recommended Citation
Wood, Matthew; Bradley, Steven; and Artz, Kendall (2013) "ENTREPRENEURIAL OPTIMISM IN DEVELOPING ECONOMIES: A SOURCE OF UNREALISTIC BIAS OR A POTENTIAL BENEFIT? (SUMMARY)," _Frontiers of Entrepreneurship Research_  
Vol. 33 : Iss. 5 , Article 19.  
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss5/19

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ENTREPRENEURIAL OPTIMISM IN DEVELOPING ECONOMIES: A SOURCE OF UNREALISTIC BIAS OR A POTENTIAL BENEFIT?

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Principal Topic

Starting and growing a business creates many challenges. One mechanism for facing these obstacles explored previously is the use of dispositional optimism. This general tendency toward believing positive outcomes will happen has been associated with positive (when realistic), and more often, negative (when unrealistic) business outcomes (Himeleski & Barron, 2009). Underexplored to date is the role of optimism in developing economies where entrepreneurs face unique pressures such as institutional instability. Do entrepreneurs have optimism in these contexts, and if so, how does it facilitate business growth? To address this gap, we move away from the traditional dispositional view and focus instead on situated optimism - a mood or attitude associated with a specific goal or expectation where an individual may have greater resources and information at their disposal to more accurately predict specific outcomes (Armor & Taylor, 1998). We theorize that situated optimism has a direct effect on business growth and mediates the relationship between business ideas and growth. Therefore, we reason that an entrepreneur could be generally pessimistic about the broader context, but have situated optimism about a particular business idea and this optimism is a potential benefit.

Methods

We test our model using survey data collected from entrepreneurs participating in microcredit programs in Kenya, Burundi and Indonesia (N = 1007). Our survey instrument and measures were based on extant literatures and data was collected via regional microcredit agencies. Using employment growth as the dependent variable, we tested moderated mediation models using Seemingly Unrelated Regression (Zellner, 1962).

Results and Implications

We find that higher levels of situated optimism are positively associated with employment growth. In turn, situated optimism is a function of the business idea. More innovative business ideas lead to higher levels of situated optimism, while more diverse sources of business opportunity information resulted in lower levels of situated optimism. The mediating effect of situated optimism was significant where entrepreneurship was opportunity rather than necessity based. Further, only when loan sizes were quite large relative to the average, did situated optimism mediate the business idea-growth relationship. Importantly, these findings suggest that optimism is situational; both conditioned and altered by factors that lead to business growth in developing economies.

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