COGNITIVE CONSEQUENCES OF ENTREPRENEURIAL INACTION (SUMMARY)

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SUMMARY

COGNITIVE CONSEQUENCES OF ENTREPRENEURIAL INACTION

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Principal Topic

Entrepreneurship scholarship is intently focused on theories of action (McMullen and Shepherd, 2006). However, there are countless examples of situations where entrepreneurs do not act when action is warranted or expected. Thus, entrepreneurial inaction is likely a common, but understudied, phenomenon, and it remains unclear the extent to which the ‘road not traveled’ influences the entrepreneurship process.

Hence, we build and test a theory of entrepreneurial inaction—defined as a conscious, deliberate, and articulable decision not to act on a perceived opportunity. Our theory flows from cognitive science research on inaction inertia (Tykocinski et al., 1995) and we advance that not acting on an initial opportunity becomes a source of inertia in entrepreneurs’ subsequent opportunity judgments. We then theorize that the outcome of the initial inaction decision and the similarity of the technological domain between the initial and subsequent opportunity, exacerbate the inertia effect.

Methods

We deployed a multiple judgment scenario experiment. We first conducted an expert survey of entrepreneurs to gain phenomenological insight (Zikmund, 2003) regarding past inactions and then developed and administered the experiment to 143 experienced entrepreneurs. Participants had the choice to act, or not act, on a business opportunity derived from a university-held technology. We then provided the outcome of the decision (net profit or a net loss) after which participants indicated the extent to which they would act on two subsequent opportunities—one in a related domain and one in an unrelated. Data was analyzed using multilevel-modeling.

Results and Implications

Entrepreneurs who choose not to act on the initial opportunity were significantly less likely to act on the subsequent opportunities, indicating entrepreneurial inaction does serve as a source of inertia. We then considered the interactive effect of decision outcome, which was not significant. Opportunity similarity was significant such that entrepreneurs who did not act and then evaluated an opportunity in a similar domain were less likely to act on the subsequent opportunity. Finally, the three-way interaction indicated that for those who missed the initial opportunity, inertia becomes stronger when the subsequent opportunity is in a similar domain, but mitigated in a dissimilar domain.

Our findings document entrepreneurial inaction as an influential inertial force affecting entrepreneurial decision-making. This has important implications for the future applicability of extant models of opportunity classification and pursuit because it challenges the assumption that entrepreneurs can pass on opportunities without incurring costs.

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