ACTING FIRST, THINKING LATER: SENSATION SEEKING AS A LOGIC AND PSYCHOLOGICAL DETERMINANT OF ENTREPRENEURIAL ACTION (SUMMARY)

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Principal Topic

Extant literature almost ubiquitously presumes entrepreneurs acting on deliberate logics. Such logics are not limited to boundedly rational planning and financial decision calculus, but also include others such as effectuation, desires for autonomy or meaning, affect-as-information, and even biased heuristics. However, less deliberate, more impulse driven logics should be at least as important for nascent entrepreneurship. Entrepreneurship involves uncertainty, which is most extreme at the earliest stage (prior to entrepreneurial behavior) (McMullen & Shepherd, 2006). Such logics not only facilitate action under uncertainty (e.g. Wiklund, Patzel, & Dimov, 2014), but may impel it. Accordingly, such logic should predict early entrepreneurial action. This should especially be the case for acting on opportunities inherently outside the formal economy – given the uncertainty created by lacking rule-of-law and property-rights, and threat of detection.

Hypotheses & Data

Two studies were conducted exploring whether the less reasoned logic of impulsive sensation seeking (SS) positively predicted acting on formal economy opportunities (H1), acting on necessarily informal economy (i.e. underground) opportunities (H2), and was more strongly related to acting on underground opportunities (H3).

Based on prior entrepreneurship research (e.g. Nicolaou, Shane, et al. 2008), SS was measured with an abbreviated version of Zuckerman's (2002) impulsive sensation-seeking scale. For robustness, SS was separately operationalized with the BAS-F scale of Carver and White (1994). The two dichotomous dependent variables were whether the individual had acted in pursuit of opportunities in the formal economy, and on opportunities outside the formal economy (underground opportunities). This was operationalized with commonly used items as to whether an individual had begun a venture and questions on entrepreneurial behavior.

Results & Conclusion

Binomial logistic models found SS positively predicted acting on the two types of opportunities. Results were robust to the different operationalizations, and show large $\chi^2$'s and odds ratios (all $\text{odds}>11:1$) (all $p<.05$). Based on probability estimation curves and on parameter estimates, the effect of SS was stronger in relation to acting on underground (versus formal economy) opportunities. Responses to open-ended questions further suggested an impulse driven logic.

This research contributes to an emerging literature on less-reasoned logics befitting entrepreneurship (Lerner, 2010; Lerner & Fitza, 2012; Verheul et al., 2015; Wiklund et al, 2014). It implies that after perception of opportunity, SS is a psychological resource for overcoming the “behavioral bounds” (Gavetti, 2012) inhibiting many from exploiting opportunities. The findings provide a basis for future research and advancing theory, offering an alternative to relatively deliberate logics of entrepreneurial action. The work also addresses a gap in understanding necessarily informal economy entrepreneurship (Webb et al., 2009) by individuals within the same developed economy and institutional environment, not acting out of economic necessity.

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