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AN UNDERLYING MECHANISM OF ENTREPRENEURIAL DECISION MAKING: A COGNITIVE-AFFECTIVE-SOCIAL PROCESS SYSTEM APPROACH (INTERACTIVE PAPER)

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INTERACTIVE PAPER

AN UNDERLYING MECHANISM OF ENTREPRENEURIAL DECISION MAKING: A COGNITIVE-AFFECTIVE-SOCIAL PROCESS SYSTEM APPROACH

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Principal Topic

In uncertain environments, entrepreneurial experts have a tendency to engage in effectuation, a transformative decision-making response, rather than in prediction-based decision making (Sarasvathy, 2001). Recent research has also found that venture founders differ in their application of both effectual and causal approaches (Mauer, 2009). Yet, little research has investigated why and when entrepreneurs use an effectual decision-making approach rather than a causal decision-making approach. In this paper we extend theory by exploring the relationship between the effectual vs. causal approaches of entrepreneurial decision making and an individual's internal affective-cognitive structures (Mischel & Shoda, 1998; Izard 1977; 1993). We propose that entrepreneurs differ in their use of decision making reasoning rather than adopt a single effectual vs. causal approach consistently across various situations. Entrepreneurs' affect, cognition, and venture creating contexts have interactive effects on entrepreneurial decision making and venturing behaviour.

Method

We propose that in situations of high ambiguity, there are two variables that will influence an entrepreneur's decision making approach: an entrepreneur's affect and environmental conditions. For example, if venture creation is associated with an environment signalling rejection, a founder with positive affect may use an effectual decision making approach by maintaining a favourable perception of new venture tasks and engaging in loose, transformative, and creative processing behaviours. However, a founder with negative affect may sense danger and disinterest. Rather than pursuing the new venture idea, she may give up on the idea using a causal decision-making approach. If the venture creation environment signals strong beliefs in the venture idea, an entrepreneur's positive affect is likely to generate goal-directed behaviours, resulting from predictive decision making approaches. A founder with negative affect, in turn, may be less likely to take the positive signalling at face value. Therefore, this founder may use an effectual approach and feel the need to continue to transform the initial idea.

Results and Implications

We believe that this study will make an important contribution to our understanding of why, when, and how individuals choose effectual approaches in the entrepreneurial decision making process. Furthermore, we will have a better understanding of the interaction between an entrepreneur's physical, psychological, and social environments over the long term.

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