Toward a Psychology of Entrepreneurship — An Action Theory Perspective
Toward a Psychology of Entrepreneurship — An Action Theory Perspective

Michael Frese

National University of Singapore
Singapore

and

University of Lueneburg
Germany

michfrese@gmail.com

Full text available at: http://dx.doi.org/10.1561/0300000028
Editorial Scope

Foundations and Trends® in Entrepreneurship will publish survey and tutorial articles in the following topics:

- Nascent and start-up entrepreneurs
- Opportunity recognition
- New venture creation process
- Business formation
- Firm ownership
- Market value and firm growth
- Franchising
- Managerial characteristics and behavior of entrepreneurs
- Strategic alliances and networks
- Government programs and public policy
- Gender and ethnicity
- New business financing:
  - Business angels
  - Bank financing, debt, and trade credit
  - Venture capital and private equity capital
  - Public equity and IPO’s
  - Family-owned firms
  - Management structure, governance and performance
  - Corporate entrepreneurship
  - High technology
  - Technology-based new firms
  - High-tech clusters
  - Small business and economic growth

Information for Librarians
Foundations and Trends® in Entrepreneurship, 2009, Volume 5, 8 issues. ISSN paper version 1551-3114. ISSN online version 1551-3122. Also available as a combined paper and online subscription.
Toward a Psychology of Entrepreneurship —
An Action Theory Perspective

Michael Frese

National University of Singapore, Singapore and University of Lueneburg, Germany, michfrese@gmail.com

Abstract

This contribution discusses a theory of entrepreneurship, its empirical base, and its implications. First, it argues that a psychological approach is necessary to understand entrepreneurship. Second, it argues that any theory of entrepreneurship should use active actions as a starting point — entrepreneurship is the epitome of an active agent in the market (rather than a reactive agent). Third, it discusses an action regulation theory to better understand the psychology of entrepreneurship. Fourth, it provides examples how this theory can help to understand entrepreneurial success. Finally, I suggest intervention programs to help entrepreneurs to be successful at growing their organizations.
# Contents

1 Introduction 1

2 Psychology is Needed to Understand Entrepreneurship 3

3 Active Entrepreneurial Actions 5
   3.1 The Process of Organizing Opportunities 9

4 Action Theory — Building Blocks 11
   4.1 Sequence 11
   4.2 Action Structure 15
   4.3 The Focus: Task, Social, and Self 21

5 Characteristics of Active Performance and Entrepreneurial Success 23
   5.1 Active Goals and Visions 23
   5.2 Entrepreneurial Orientation 24
   5.3 Active Task Strategy and Active Action Planning 26
   5.4 Effectuation, Improvization, and Experimentation 32
   5.5 Active Social Strategy for Networking 35
1

Introduction

This contribution discusses a theory of entrepreneurship, its empirical base, and its implications. First, it argues that a psychological approach is necessary to understand entrepreneurship. Second, it argues that any theory of entrepreneurship should use active actions as a starting point — entrepreneurship is the epitome of an active agent in the market (rather than a reactive agent). Third, it discusses an action regulation theory to better understand the psychology of entrepreneurship. Fourth, it provides examples how this theory can help to understand entrepreneurial success. Finally, I suggest intervention programs to help entrepreneurs to be successful at growing their organizations.

Entrepreneurship is defined by the action of the entrepreneur — starting an organization (Gartner, 1989) — or by the more elaborate definition that entrepreneurship involves discovery, evaluation, and exploitation of opportunities (Shane and Venkataraman, 2000). All definitions really imply actions. Entrepreneurship is not a cognitive enterprise of perceiving and interpreting the world. Rather, entrepreneurship implies that people act to change the world and this often comes about by not just “detecting” opportunities but by establishing them (as Schumpeter, 1935 has emphasized). Thus,
Introduction

nearly all definitions emphasize that entrepreneurs are active actors in the market. Some entrepreneurship researchers reserve the concept of entrepreneur to those who are particularly successful with their firms ([Carland et al., 1984]). However, it is necessary not to confound the definition of a concept with the outcome of that concept and, therefore, I prefer a descriptive definition of the entrepreneur. I also emphasize that entrepreneurship does not necessarily imply the start-up and growth of business organizations but is a more general phenomenon of starting social organizations and changing organizations. Thus, I also include social entrepreneurs in our definition — thus, founders of social service organizations (such as Greenpeace or Medicine without borders) are legitimate aspects of entrepreneurship as well.


Bargh, J. A. and K. Barndollar (1996), ‘Automaticity in action: The unconscious as repository of chronic goals and motives’. In: P. M.
References


References


Dew, N., S. Read, S. D. Sarasvathy, and R. Wiltbank (2009), ‘Effec-
tual versus predictive logics in entrepreneurial decision-making:
References


Heckhausen, H. and J. Kuhl (1985), ‘From wishes to action: The dead ends and short cuts on the long way to action’. In: M. Frese and


Kyllonen, C. and R. E. Christal (1990), ‘Reasoning ability is (little more than) working-memory capacity?!’. *Intelligence* 14, 389–433.


References


References


