The Microfoundations of Entrepreneurial Cognition Research: Toward an Integrative Approach

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Full text available at: http://dx.doi.org/10.1561/0300000055
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Foundations and Trends® in Entrepreneurship, 2015, Volume 11, 6 issues. ISSN paper version 1551-3114. ISSN online version 1551-3122. Also available as a combined paper and online subscription.
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Contents

1 Introduction 2

2 Historical Context: The Social Cognitive Approach 8
   2.1 Research on social mental processes: how it started 9
   2.2 From constructivism to behaviorism 10
   2.3 Mental process research: a “New Look” 11
   2.4 Mental process research: cognition 12
   2.5 Mental process research: social cognition 12
   2.6 Back to the New Look 14
   2.7 The socially situated cognition approach and beyond 15

3 Entrepreneurial Cognition Research 18
   3.1 Origins of the field of entrepreneurial cognition research 19
   3.2 Major theoretical perspectives in entrepreneurial cognition research 30

4 Toward More Dynamic Approaches to Entrepreneurial Cognition Research: Socially Situated Cognition Theory 72
   4.1 Additional elaboration 73
   4.2 Benefits of socially situated cognition research: Early evidence 74
### 4.3 Possible directions for future research on dynamic entrepreneurial cognition

90

### 5 Conclusion

101

### References

103
Abstract

In this monograph, we adopt a microfoundations-type approach to understanding the present state of the field of entrepreneurial cognition research. The notion of microfoundations — which link micro concepts to macro concepts [Barney and Felin 2013] — is increasingly being utilized to unbundle compound processes, and thereby to generate improved explanations in social science research. From its roots in psychology, we selectively review and trace the progress of the field of entrepreneurial cognition research over time, and we make a case for socially situated cognition as a new and useful framework in which the microfoundations of some of the emerging and more dynamic approaches to the study of entrepreneurs’ thinking can be understood and organized. We also outline some productive directions for future entrepreneurial cognition research. We believe that the review of these earlier roots enables the reader to more fully appreciate how the development of social cognition research intertwines with other fields in influencing the current state of entrepreneurial cognition research.

DOI: 10.1561/0300000055.
Introduction

In this monograph, we adopt a microfoundations-type approach to understanding the present state of the field of entrepreneurial cognition research. The notion of microfoundations — which link micro concepts to macro concepts [Barney and Felin, 2013] — is increasingly being utilized to unbundle compound processes, and thereby to generate improved explanations in social science research. Helpfully, the use of microfoundations is increasing in prominence in both entrepreneurship and management research [Bryant, 2014; Gavetti, 2005; Helfat and Peteraf, Forthcoming]. For example, research on microfoundations in entrepreneurship has focused on entrepreneurial choice [Minniti and Bygrave, 1999], on the role of memory in the individual entrepreneur’s ability to adapt [Bryant, 2014], and on the focal role of entrepreneurship in sustained competitive advantage [Teece, 2007]. One criticism of some work on microfoundations is that researchers often tend to specifically equate microfoundations research with individuals-focused research, while ignoring interactions among those individuals, ignoring the context, and missing a meta-theory that takes into account these contextualized interactions [Barney and Felin, 2013]. We contend that with recent developments in the field, an examination of the
microfoundations of entrepreneurial cognition research can be seen as overcoming this limitation.

While the central research question in entrepreneurial cognition research has historically been: “How do entrepreneurs think?” [Mitchell et al., 2007, p. 3], more recent research has been developing explanations that are interactive and contextualized [Mitchell et al., 2014b, 2011b]. Specifically, using the socially situated approach, this research focuses on the idea that the thinking that underlies entrepreneurship is not static but is dynamic: situated within specific people acting within a variety of active environments with varying degrees of distribution of such thinking across minds and tools [Mitchell et al., 2014a]. Thus researchers are not only asking how entrepreneurs think but are also asking what this means for other individuals and organizations, and why this matters for value creation more generally. This socially situated approach to entrepreneurial cognition moves beyond an under-specified approach to the examination of microfoundations [Barney and Felin, 2013], to one that is better suited to the development of a richer theory of entrepreneurship [Mitchell, 2011]. In doing so, we move away from social cognition research that suffers from a ‘static-explanation problem’ — the equivalent of a theoretical ‘scrap book’ — toward research that offers more dynamic explanations — the equivalent of a theoretical ‘motion picture’ [Smith and Conrey, 2009].

In this monograph, we position entrepreneurial cognition research — the search for explanations for how entrepreneurs think — within a domain that embraces the transformation of social psychological explanations from static to dynamic accounts. We also combine the social/contextual elements and cognitive elements of entrepreneurship to better understand its microfoundations and offer the outlines to an integrative approach to entrepreneurial cognition research. In doing so, we do not mean to argue that this is the only lens through which to examine the thinking and doing that comprises entrepreneurship. We do, however, suggest that by seeking to better understand the thinking entrepreneur within a social situation, and with respect to her/his cognitions and motivations [see Fiske and Taylor, 1984], we will be better enabled to fit some of the micro-pieces into solving an entrepreneurship
puzzle that would otherwise remain at least partially unassembled. In order to provide the necessary background to our argument, we will first address the following questions about entrepreneurial cognition: when and how did research on entrepreneurial cognition study begin; what does it entail and imply for other research, and why does this matter?

In late 1980s and early 1990s, only a handful of researchers were interested in and working on socio-cognitive approaches to entrepreneurship, most of whom were unaware of the similar work being pursued by others. As this work began to coalesce, the definition of entrepreneurial cognition as: “the knowledge structures that people use to make assessments, judgments or decisions involving opportunity evaluation and venture creation and growth” emerged [Mitchell et al., 2002a, p. 97], and entrepreneurial cognition research itself began to take form as an important subfield of entrepreneurship research [cf. Ireland and Webb, 2007, Mitchell et al., 2002a, 2004, 2007].

As scholars have increasingly explored new explanatory possibilities, the number of topics addressed by entrepreneurial cognition research has grown, and many new avenues of research have been opened [Mitchell, 2011]. In particular, as we have noted above, entrepreneurial cognition researchers have adopted progressively more dynamic approaches to answer or to otherwise tackle a variety of aspects of understanding how entrepreneur’s think [cf. Mitchell et al., 2014a, 2011a]. Nevertheless, the early cognitive approaches to entrepreneurial cognition research that highlighted the idea that static psychological processes underlie entrepreneurial behavior [cf. Shaver and Scott, 1991] were some of the first to be utilized in entrepreneurial cognition research. Specifically, some past entrepreneurial cognition research has focused on the role of biases and heuristics [e.g., Busenitz and Barney, 1997, Simon et al., 2000], effectuation [e.g., Sarasvathy, 2001], entrepreneurial expertise [e.g., Mitchell, 1994, Mitchell et al., 2000, Sarasvathy et al., 1998], entrepreneurial intentions [Bird, 1988, 1992], perceptions [e.g., Gaglio and Katz, 2001], planned behavior [Krueger and Carsrud, 1993], and so on. While these approaches have broadened our understanding of entrepreneurial cognition, we believe
that there are still more opportunities for further developing the field by utilizing explanations that are less static and more dynamic. This belief echoes recent critical reviews of the field of entrepreneurial cognition research [see Grégoire et al., 2011 also Grégoire, 2014]. In particular, these reviews suggest that entrepreneurial cognition should be studied using dynamic and multi-level perspectives to explain additional variance in how entrepreneurs think and act.

Consistent with the call for more dynamic research approaches in both the study of entrepreneurial cognition and the study of microfoundations, a new integrative approach to entrepreneurial cognition research has emerged from the idea of socially situated cognition [Mitchell et al., 2011b]. Socially situated cognition research stems from the premise that cognition is (1) adaptive action-oriented, (2) embodied, (3) situated within and among specific individuals and environments, and (4) distributed across minds and tools [Smith and Semin, 2004]. As a result of conducting entrepreneurial cognition research based on this premise, we argue that it is possible to better and more comprehensively explain the dynamic nature of entrepreneurial thinking.

In this monograph, we therefore selectively review the progress of the field of entrepreneurial cognition research over time, and we make a case for socially situated cognition as a new and useful framework under which the microfoundations of some of the emerging and more dynamic approaches to the study of entrepreneurs’ thinking can be understood and organized. We also outline some productive directions for future entrepreneurial cognition research. To assist with this process, Figure 1.1 provides a summary timeline of the transformation from relatively static conceptualizations in psychology toward more dynamic ones. Doing so allows us to understand the foundations of entrepreneurial cognition research, which thereby enables us to look forward toward potential future trends.

Thus, as a basis for this analysis, this monograph is divided into three sections. In the first section, we first review the precursor field of social cognition, and its historical development, to
Figure 1.1: Toward a more dynamic view of social cognition: A summary.
explore how progression in this broader field serves as a conceptual footing for the more specialized, microfoundation-based examination of ‘entrepreneurial’ social cognition. In the second section, we also briefly review some of the relevant work in fields closely related to entrepreneurship and entrepreneurial thinking (for example, entrepreneurship in economic theory), and we discuss the work of scholars who provided earlier conceptualizations of the role human thought plays in economic aspects of entrepreneurship. We then selectively review the major theoretical approaches in the field of entrepreneurial cognition research, and trace the progress of the field over time. In the last section, we make a case for socially situated cognition as a new and useful framework under which the microfoundations of some of the emerging and more dynamic approaches to the study of entrepreneurs’ thinking can be understood and organized. We also outline some possible productive directions for future entrepreneurial cognition research. We therefore believe that the review of these earlier roots, which follows next, enables the reader to more fully appreciate how the development of social cognition research intertwines with other fields to influence the current state of entrepreneurial cognition research.
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