6. The Cognitive Psychology of Entrepreneurship

INTRODUCTION

If the “heart” of entrepreneurship is an orientation toward seeing opportunities (e.g. Stevenson and Jarillo, 1990), then from whence do perceptions of opportunity derive? Understanding entrepreneurial cognition is imperative to understanding the essence of entrepreneurship, how it emerges and evolves. This is especially true if we wish to move from descriptive research to theory-driven research. For example, if we wish to argue intelligently about whether entrepreneurial opportunities are “discovered” or if they are “enacted,” theory is crucial. This chapter offers researchers an overview of the cognitive processes that drive “thinking entrepreneurially”:

- What is the nature of entrepreneurial thinking?
- What cognitive phenomena are associated with seeing and acting on opportunities?

Research into entrepreneurial cognition offers a way to bring the entrepreneur back into entrepreneurship. While there still is little substance to the notion of a so-called “entrepreneurial personality” it always seemed counterintuitive to ignore all individual differences, especially psychological differences. Yes, entrepreneurs may not be too different in risk taking propensity, but (almost by definition) they see more opportunities. Cognition research offers us multiple mechanisms, both theory-driven and empirically-robust, to build a deeper, richer understanding of how we learn to see opportunities.

Cognitive phenomena are important throughout this process: Opportunities themselves are perceived, if not enacted, as are the critical antecedents of opportunity perceptions. Entrepreneurial activity may require a tangible infrastructure of needed resources but we neglect at our peril what I have dubbed the cognitive infrastructure (see Figure 1, p. 116) – what enables us to perceive (and learn to perceive) personally-credible opportunities. Understanding the cognitive infrastructure undergirding entrepreneurial activity also affords us richer perspectives on how to nurture entrepreneurship (Krueger and Brazeal, 1994; Krueger, 2000; Shepherd and Krueger, 2002).

If we are to better understand the entrepreneurial process, then, we need to better understand how opportunities manifest themselves as credible (Shapero,
1975, 1982). However, we must first ask, "How do we answer that question?" As with other nascent fields, entrepreneurship studies have long had a bias toward descriptive research, grounded more in practical concerns than in theory. The cry for "more strong theory in entrepreneurship research" continues to be a loud, clarion call that still has not been heeded as enthusiastically as perhaps it should. One reason for this has been the tendency to use theory to explain one's findings retrospectively, rather than identifying a useful, appropriate theoretical base from which to work prospectively.

However, this is changing. For example, when I entered the field, there was considerable research into "budding" entrepreneurs, a rather loose definition. Today researchers talk about "entrepreneurial intentions," a more rigorous (and theory-based) focus. Similarly, most of the research on "opportunity recognition" remains highly descriptive, yet we see increasing use of theory to drive the empirical research, not just finding theory to explain the findings. The potential for continued progress lies not just in cognitive theory, but cognition research offers more than its fair share of potential for exciting, productive future research in entrepreneurship.

When we ask "Do entrepreneurs think differently?" we are thus asking, "When someone is thinking 'entrepreneurially,' what does that mean in terms of cognitive processes?" As Robert Baron would argue, we all share the same basic cognitive processes but entrepreneurs appear to face unique role demands that are accompanied by differences in the cognitive processes those role demands require.

What is unique about "entrepreneurial" thinking? We will focus here on the most critical distinction between entrepreneur and non-entrepreneur, the intentional pursuit of opportunity. As Howard Stevenson pointed out long ago, the "heart" of entrepreneurship is the seeking of and acting upon opportunities. To understand entrepreneurship, then, requires understanding how we learn to see opportunities and decide to pursue them.

For example, here is one current debate in the field of entrepreneurship studies. Are opportunities "discovered" or are they "enacted"? That is, does the pursuit of opportunity begin by a process of observation and recognition that a set of conditions constitutes a viable opportunity? Or, does the pursuit of opportunity begin with a process wherein a set of observed (and/or assumed) conditions can be constructed into a viable opportunity? Cognition research allows us to explore how both perspectives contribute to our understanding of opportunity emergence. If opportunities are enacted, then we need to explore the cognitive processes by which we take signals from the environment and construct a personally-credible opportunity. Even if opportunities are discovered, they still need to be perceived and cognition research already offers key insights into entrepreneurial perceptions.

Cognition research offers rich theory and well-developed methods. As the reader will see, it also offers considerable successes to encourage the entrepreneurship researcher. The study of human cognition has surfaced a remarkable variety of theoretical and methodological approaches to understanding how