

Impulsivity and Entrepreneurship During and Post-Pandemic Crises

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Abstract

There is little research that examines the consequences of impulsivity on entrepreneurship including entrepreneurial psychological aspects. The objective of this research is to examine the possible relationships between impulsivity and entrepreneurship. We offer entrepreneurial fear of failure and entrepreneurial well-being as constructs that can capture the essence of entrepreneurship related to impulsivity. COVID-19 pandemic and post pandemic crises have caused a shift on how entrepreneurs perceive their entrepreneurial behavior and well-being. We use an integrated review to analyse the relationship and provide some propositions for future research by interpreting previous research and following them up with new insights. While impulsive behaviors are frequently regarded as irrational and emotional, quick decision making, we will provide a greater understanding of this issue.

Keywords: *impulsivity; entrepreneurship; entrepreneurial fear of failure; startups; integrated review*



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INTRODUCTION

Humans may not be as rational as they may think. In many cases, our behaviors such as decision making are not based on rationality-cost and benefit analysis. Rather, we may follow our emotions in order to respond to a particular situation. This is the reason why, for example, some people react impulsively or emotionally while others may not. COVID-19 pandemic and post-pandemic crises have caused new ways to see realities including from how entrepreneurs perceive these situations. Many entrepreneurs experience frustration and mental fatigue as they cannot implement their business plan or market preferences have changed drastically. Some questions emerged such as how pandemic crises change entrepreneurial behavior and what they can do to survive difficulties during and post pandemic crises. More specifically, regarding impulsive behavior, we are interested to see how the pandemic crises may influence entrepreneurship from the lens of entrepreneurial psychological aspects.

Entrepreneurial behaviors are not fully based on deep thinking (Hunt & Lerner, 2018) even though entrepreneurial behavior is typically perceived to come from a reasoned, judgment-then action pathway (Pietersen & Botha, 2021). Therefore, it was seen as worthwhile to see whether psychological clinic such as impulsivity influences entrepreneurial behaviour in particular contexts such as start-ups. In this case, we argue that impulsivity may have caused different responses from entrepreneurs during pandemic and post-pandemic crises. For example, in pre-pandemic crises in Indonesia, entrepreneurs including startup founders benefited from abundant business opportunities in this emerging market economy. Business startups are relatively common as it is much easier to establish new businesses in Indonesia than many people thought. As a result, their impulsivity may have helped their business growth. However, as one of our informants had to say, "because of this pandemic, I have experienced a new level of uncertainty. It seems that I have to restart everything and my strengths in the past will not matter". This means that pandemic crises require new ways of doing business and uncertainties in post-pandemic crises may increase fear and anxiety. Following this argument, we saw a change of entrepreneurial behaviour as a result of

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the pandemic. Rationality of entrepreneurs is tested during and after this pandemic, and impulsivity can provide a greater understanding in this regard.

Whiteside and Lynam (2001) have identified four dimensions of impulsivity. These are sensation seeking, lack of premeditation, lack of perseverance, and urgency. Each of them may represent psychological states that encourage or discourage entrepreneurship. For example, sensation seeking can be seen as mechanism in which feeling excited to seek business opportunities is dominating, and rational business calculation is not the main consideration. In entrepreneurship, this may be manifested in risk-taking behavior (Lerner et al., 2020). In other words, impulsivity may play a greater role in entrepreneurship, but our knowledge in this relationship is minimal due to a lack of research.

In a broader sense, many people may not realize that they are dominated by impulsive behavior. Perhaps they realize that later rather than sooner. Wiklund et al. (2017, 2018) have identified that humans may have impulsive tendencies, and this is far more obvious to some such as those with ADHD (attention-deficit/hyperactivity disorder). Johan Wiklund is an entrepreneurship researcher who declares himself as an adult with ADHD and he wants to investigate the relationship between ADHD, that is signified by impulsivity, and entrepreneurship. For example, will impulsive behavior benefit entrepreneurs/startup owners/future or nascent entrepreneurs? Literature review has shown that impulsivity may lead to a higher level of entrepreneurial activities and preferences including in people with ADHD (Wiklund et al., 2018) especially in responding to business opportunities that do not require specified tasks (Lerner et al., 2018). The next question is in what ways impulsivity influence entrepreneurship? How does impulsivity benefit entrepreneurs especially in one of the most crucial moments in their entrepreneurial phase? Will startups with business-growth orientation still benefit from impulsivity?

We understand that startups experience a difficult phase in entrepreneurship journey. They characteristically have limited resources and capabilities, for example, lack of human resources availability and less developed informal institution (Foo et al., 2020). This means that impulsivity may affect entrepreneurs in many ways, but perhaps startups may be the most affected by impulsive behavior because of their experiences and typical characteristics.

METHODOLOGY

We use an integrative review to analyze the literature in this study. As suggested by Snyder (2019), it is possible to use literature review as a research methodology and an integrative review is one of the ways to do it. An integrated review can be used to formulate initial conceptualisations and theoretical models, rather than review old models. Mazumdar et al. (2005) also suggested that an integrative review can be conducted by offering a framework that synthesises the findings from previous studies. As stated earlier, the objective of the present study is to examine the relationship between impulsivity and entrepreneurship in which the latter is seen from the lens of entrepreneurial fear of failure and entrepreneurial outcomes. The ultimate reason why we selected integrated review as a research method is the fact that it can facilitate new frameworks or propositions which can enhance our understanding of impulsivity and entrepreneurship related concepts.

The present study adapts some steps in conducting an integrated review following the suggestions Tavarez de Souza et al. (2010). These are preparing the guiding questions; selecting the most relevant previous research; critically analysing the previous research; discussing the results; and presenting the review including the propositions or new research frameworks. Firstly, we have proposed some guiding questions for the present study: are there conceptually any possible relationships between impulsivity, fear of failure, and entrepreneurial outcomes? If yes, how do

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these relationships affect particular phase of entrepreneurship such as in the context of startups that are characteristically growth-oriented? Based on these guiding questions, we conducted the review of the literature as follows:

AN INTEGRATED REVIEW

While previous research has not directly examined the links between impulsivity, entrepreneurial fear of failure, and entrepreneurial outcomes, there are some indications that lead us to them. Previous research in impulsive behavior and entrepreneurship most notably come from the research by Wiklund et al. (2017, 2018). It was found that impulsivity has a strong link with entrepreneurial action (Wiklund et al., 2017, 2018). Essentially, impulsivity is important to be studied and this can be assessed based on rationality (Brown et al., 2018) or irrationality (Hunt & Lerner 2018, Wiklund, 2019). Impulsivity has been defined as: "a predisposition toward rapid, unplanned reactions to internal or external stimuli without regard to the negative consequences of these reactions" (Moeller et al., 2001, p. 1784). This means that impulsivity may have a strong link to entrepreneurship as a whole because the latter can also be seen from both rational and irrational behavior.

Impulsivity and Fear of Failure

As suggested by Zermatten and Van der Linden (2008), impulsivity is related to negative affect such as fear and anxiety. Wiklund et al. (2018) identify that impulsivity is positively related to fear of failure. However, sensation seeking and lack of premeditation characteristically are in line with uncertainty and risk taking which are strongly linked to entrepreneurship (Wiklund et al., 2017). Sensation seeking is about searching for pleasures even in difficult moments in which uncertainty is high (Wiklund et al., 2018), while lack of premeditation signifies a high tolerance for uncertainty (Whiteside and Lynam, 2001), and most likely see them as a source of positive experience rather than fear (Berg et al., 2015).

In contrast, previous research has shown that lack of perseverance and urgency tend to be seen as inhibitors of entrepreneurs as they represent uncertainty avoidance. Those high in urgency avoid uncertainty (Wiklund et al. (2017) and form lower entrepreneurial preferences because, as suggested by Adams et al. (2012) they have poor tolerance for distress and risk. Additionally, those who have a lack of perseverance typically heavily focus on relevant information and resist distractions (Whiteside & Lynam, 2001). They tend to experience fear and anxiety regarding whether they can properly evaluate uncertain and challenging contexts (Zermatten & Van Der Linden, 2008), which similarly makes them aversive against such situations (Leland et al., 2006).

Entrepreneurial fear of failure includes, for example, financial security and threat to social esteem (Cacciotti et al., 2020). Entrepreneurial fear of failure can capture the essence of entrepreneurship in dealing with uncertainties and constant threats (Games et al., 2020). For example, financial insecurity and self-esteem or reputation may be sources of failure that often feared by entrepreneurs (Cacciotti et al., 2020), and their decision making can be highly dependent on the way they perceive this fear. For this reason, we propose a notion that there is a link between impulsivity and entrepreneurial fear of failure. In the present study, we include two dimensions of entrepreneurial fear of failure: financial security and threats to social esteem. This is because these two reasoning have been highly relevant in the moment of crises such as COVID-19 pandemic that has reduced consumer demands significantly in most cases.

Entrepreneurial fear of failure and Entrepreneurial Outcomes

Negative affect such as fear of failure can lead to different outcomes. In some cases, fear of failure can result in better organizational performance, while in other cases it leads to actual business failure (Cacciotti et al., 2016; Morgan & Sisak, 2016). In addition, Morgan and Sisak (2016) explained that fear of failure can be motivating for entrepreneurs as they have high standard of business success. This means that those who are business-growth oriented will most probably benefit from fear of failure. A recent study by Games et al. (2020) in the context of West Sumatran businesses, Indonesia has shown that fear of failure has not reduced their business performance as they focus on their goals rather than their fear. Accordingly, opportunity-driven entrepreneurs represent more ambitious entrepreneurs that seek growth and innovation, in which they significantly benefit from supportive entrepreneurship policies (Bárcena-Martín et al., 2021). However, this is seemingly not the case for those who do not seek business growth or necessity driven entrepreneurs. Morgan and Sisak (2016) suggested that necessity-driven entrepreneurs are most negatively impacted by fear of failure. They have some characteristics that differentiate them from opportunity driven entrepreneurs. They have no alternatives other than start-up activity to get their income (Perenyi et al., 2018). Tambunan (2019) pointed out while the majority of the businesses in Indonesia can be categorized as necessity driven, there is a tendency that some of these business owners make an effort to transform their business into high business growth even during crises.

Entrepreneurial outcomes such as firm performance have been used to evaluate business success (Wiklund et al., 2019) even though Sofiyabadi et al. (2016) show that financial aspects are predominantly used by business entities for such measurement. However, Costa et al. (2021) concluded that in terms of startup performances, financial performance could reflect business performance in an environment of low uncertainty, while non-financial performance should be included in an environment of high uncertainty. In addition, Wiklund et al. (2019) proposed an idea that entrepreneurial well-being sometimes can portray psychological aspects of business people including employees which may represent better performance indicators compared to financial aspects. As a result, future researchers may need to combine these outcomes for a greater understanding of entrepreneurial outcomes in particular in the context of startups and scale-up companies. This is because these businesses are arguably seeking both business growth and business innovation. In other words, they can be categorized as opportunity-driven entrepreneurs rather than necessity-driven entrepreneurs.

Opportunity-driven entrepreneurs signify more ambitious entrepreneurs that seek business growth and innovation and they can benefit from supportive entrepreneurship policies (Bárcena-Martín et al., 2021) In other words, opportunity-driven entrepreneurs may need entrepreneurial fear of failure to increase their business performance. Tambunan (2019) pointed out while the majority of the businesses in Indonesia can be categorized as necessity driven, there is a tendency that some of these business owners make an effort to transform their business into high business growth even in crises. Ratten (2020, 2021) has emphasised the importance of flexibility and strong adaptation as ways of dealing with pandemic and post-pandemic crises. Because of that, this is a moment for business owners to define their entrepreneurial characteristics. As suggested by Wiklund et al. (2019), it is important to classify entrepreneurs from these two characteristics as they have different behaviors that will result in different interpretations. This may strengthen our arguments to combine both impulsivity and entrepreneurial fear of failure to capture the essence of entrepreneurship especially for opportunity-driven entrepreneurship.

Based on the above review and discussion, we propose the research model as follows:

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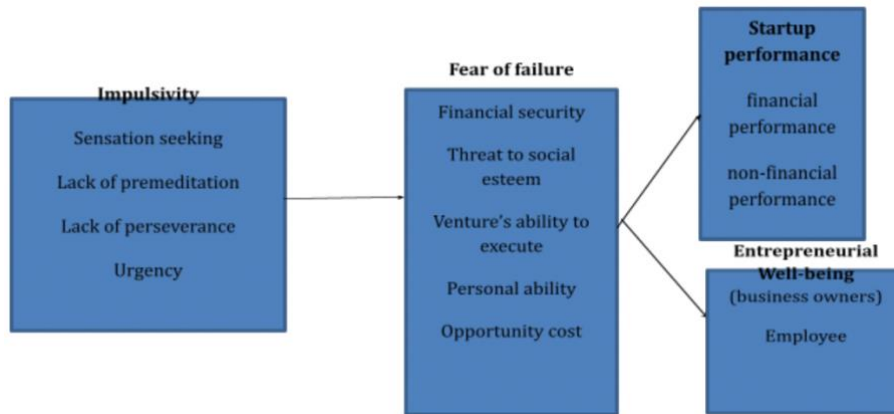


Fig. 1. Proposed research model

Thus, we proposed that:

Proposition 1: Sensation seeking and lack of premeditation that are closely associated with risk taking behavior are negatively related to entrepreneurial fear of failure which in turn enhances positive entrepreneurial outcomes.

Proposition 2: lack of perseverance and urgency that are closely associated with uncertainty avoidance are positively related to entrepreneurial fear of failure which in turn reduce positive entrepreneurial outcomes

Proposition 3: Entrepreneurial fear of failure mediates the relationship between impulsivity and entrepreneurial outcomes. It captures the essence of entrepreneurship especially during high uncertainty period such as crises and critical phases of entrepreneurship journey such as startup and scaling up.

Proposition 4: Entrepreneurial outcomes can be evaluated by both financial and non-financial performance and entrepreneurial well-being (wellbeing of the entrepreneurs or wellbeing of the employees).

CONCLUSION AND FURTHER RESEARCH

The present study proposed that impulsivity may have an effect on entrepreneurship. There is a strong link between impulsive behavior and risk-taking behavior. For example, sensation seekers may aggressively pursue business opportunities even if there is no guarantee that they can successfully benefit from them. Additionally, entrepreneurial fear of failure may help us understand the psychological aspects of entrepreneurship. Those who are pursuing business growth may see fear of failure as motivating rather than demotivating. As a result, we have identified that a combination of both impulsive behaviour and entrepreneurial fear of failure has a role in determining entrepreneurial performance and wellbeing. Additionally, it is expected that startup companies and those who are scaling up their business will be highly committed to innovate their businesses, and simultaneously, they may have high fear business failure during difficult times in their early entrepreneurship journey and crises such as during the COVID-19 pandemic crises, but we still do not know whether they perceive impulsivity and fear of failure as motivating or not especially in specific context such as startups in emerging market economies during and post-pandemic crises.

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Future research can implement our proposed research model and propositions in particular contexts such as various cultures (e.g., ethnicity, religion, collectivistic/individualistic cultures) or countries, and different phases of entrepreneurship journey. We specifically encourage future researchers to focus on impulsivity and startups. This is because startups may need impulsivity to accelerate their entrepreneurial performance during and after the pandemic crises. In addition to that, they are heavily dependent on technological innovation. This perhaps can be the key point in enhancing entrepreneurial performance during and post-pandemic crises.

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