

SELECTED READINGS

Baron, Robert. (1998). Cognitive Mechanisms in Entrepreneurship: Why and When Entrepreneurs Think Differently Than Other People. *Journal of Business Venturing*, vol. 13, no. 4, pp. 275–95.

In this conceptual article, the author presents information on a study that examined the possible differences in the thinking of entrepreneurs and other people. This paper offers a number of implications of a cognitive perspective for entrepreneurship research.

Busenitz, Lowell; and Jay Barney. (1997). Differences between Entrepreneurs and Managers in Large Organizations: Biases and Heuristics in Strategic Decision Making. *Journal of Business Venturing*, vol. 12, no. 1, pp. 9–30.

In this article the authors explore the differences in the decision-making processes between entrepreneurs and managers in large organizations. In particular they focus on a number of biases, such as the overconfidence bias, but also point out some benefits from the use of biases and heuristics.

Gaglio, Connie Marie; and Jerome Katz. (2001). The Psychological Basis of Opportunity Identification: Entrepreneurial Alertness. *Small Business Economics*, vol. 16, pp. 95–111.

In this article the authors describe a model of entrepreneurial alertness and propose a research agenda for understanding opportunity identification. They investigate the origin of the entrepreneurial alertness concept and the notion of the psychological schema of alertness.

Gifford, Sharon. (1998). Limited Entrepreneurial Attention and Economic Development. *Small Business Economics*, vol. 10, no. 1, pp. 17–30.

Economic development depends on the allocation of entrepreneurial resources to efforts to discover new profit opportunities. Limited entrepreneurial attention is allocated between maintaining current activities and starting new activities. The problem of allocating limited entrepreneurial attention in a variety of contexts is addressed.

Hayton, James C.; Gerard George; and Shaker A. Zahra. (Summer 2002). National Culture and Entrepreneurship: A Review of Behavioral Research. *Entrepreneurial Theory and Practice*, pp. 33–52.

The article reviews and synthesizes the findings of 21 empirical studies that examine the association between national cultural characteristics and aggregate measures of entrepreneurship, individual characteristics of entrepreneurs, and aspects of corporate entrepreneurship.

Hitt, Michael; Barbara Keats; and Samuel DeMarie. (1998). Navigating in the New Competitive Landscape: Building Strategic Flexibility and Competitive Advantage in the 21st Century. *Academy of Management Executive*, vol. 12, pp. 22–43.

The article cites the importance of building strategic flexibility and a competitive advantage for organizations to survive in the face of emerging technical revolution and increasing globalization. The nature of the forces in the new competitive landscape requires a continuous rethinking of current strategic actions, organization structure, communication systems, corporate culture, asset deployment, and investment strategies—in short, every aspect of a firm's operation and long-term health.

Ireland, R. Duane; and Michael Hitt. (1999). Achieving and Maintaining Strategic Competitiveness in the 21st Century: The Role of Strategic Leadership. *Academy of Management Executive*, vol. 13, pp. 43–55.

In this article the authors acknowledge that effective strategic leadership practices can help firms enhance performance while competing in turbulent and unpredictable environments. They then describe six components of effective strategic leadership. When the activities called for by these components are completed successfully, the firm's strategic leadership practices can become a source of competitive advantage. In turn, use of this advantage can contribute significantly to achieving strategic competitiveness and earning above-average returns in the next century.

Keh, Hean; Maw Der Foo; and Boon Chong Lim. (2002). Opportunity Evaluation under Risky Conditions: The Cognitive Processes of Entrepreneurs. *Entrepreneurship: Theory & Practice*, vol. 27, pp. 125–48.

This study uses a cognitive approach to examine opportunity evaluation, as the perception of opportunity is essentially a cognitive phenomenon. The authors present

a model that consists of four independent variables (overconfidence, belief in the law of small numbers, planning fallacy, and illusion of control), a mediating variable (risk perception), two control variables (demographics and risk propensity), and the dependent variable (opportunity evaluation). They find that illusion of control and belief in the law of small numbers are related to how entrepreneurs evaluate opportunities. Their results also indicate that risk perception mediates opportunity evaluation.

McGrath, Rita. (1999). Falling Forward: Real Options Reasoning and Entrepreneurial Failure. *Academy of Management Review*, vol. 24, pp. 13–30.

Although failure in entrepreneurship is pervasive, theory often reflects an equally pervasive antifailure bias. Here, the author uses real options reasoning to develop a more balanced perspective of the role of entrepreneurial failure in wealth creation, which emphasizes managing uncertainty by pursuing high-variance outcomes but investing only if conditions are favorable. This can increase profit potential while containing costs. The author also offers propositions that suggest how gains from entrepreneurship may be maximized and losses mitigated.

McGrath, Rita; and Ian MacMillan. (2000). *The Entrepreneurial Mindset: Strategies for Continuously Creating Opportunity in an Age of Uncertainty*. Cambridge, MA: Harvard Business School Press.

In this book the authors provide tips on how to achieve an entrepreneurial mindset. For example, they discuss the need to focus beyond incremental improvements to entrepreneurial actions, assess a business's current performance to establish the entrepreneurial framework, and formulate challenging goals by using the components of the entrepreneurial framework.

McMullen, Jeffery S.; and Dean Shepherd. (2006). Entrepreneurial Action and the Role of Uncertainty in the Theory of the Entrepreneur. *Academy of Management Review*, vol. 31, pp. 132–52.

By considering the amount of uncertainty perceived and the willingness to bear uncertainty concomitantly, the authors provide a conceptual model of entrepreneurial action that allows for examination of entrepreneurial action at the individual level of analysis while remaining consistent with a rich legacy of system-level theories of the entrepreneur. This model not only exposes limitations of existing theories of entrepreneurial action but also contributes to a deeper understanding of important conceptual issues, such as the nature of opportunity and the potential for philosophical reconciliation among entrepreneurship scholars.

Mitchell, Ron; Lowell Busenitz; Theresa Lant; Patricia McDougall; Eric Morse; and Brock Smith. (2002). Toward a Theory of Entrepreneurial Cognition: Rethinking the People Side of Entrepreneurship Research. *Entrepreneurship: Theory & Practice*, vol. 27, no. 2, pp. 93–105.

In this article the authors reexamine “the people side of entrepreneurship” by summarizing the state of play within the entrepreneurial cognition research stream, and by integrating the five articles accepted for publication in a special issue focusing on this ongoing narrative. The authors propose that the constructs, variables, and proposed relationships under development within the cognitive perspective offer research concepts and techniques that are well suited to the analysis of problems that require better explanations of the distinctly human contributions to entrepreneurship.

Sarasvathy, Saras. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review*, vol. 26, no. 2, pp. 243–64.

In this article, the author argues that an explanation for the creation of artifacts such as firms/organizations and markets requires the notion of effectuation. Causation rests on a logic of prediction, effectuation on the logic of control. The author illustrates effectuation through business examples and realistic thought experiments, examines its connections with existing theories and empirical evidence, and offers a list of testable propositions for future empirical work.

Sarasvathy, Saras. (2006). *Effectuation: Elements of Entrepreneurial Expertise*. Cheltenham, UK: Edward Elgar Publishers.

This book gives the history of the development of effectuation and provides provocative new applications and future research directions.

Sarasvathy, Saras. www.effectuation.org.

This Web site provides an up-to-date collection of works on effectuation.

Shepherd, Dean. (2003). Learning from Business Failure: Propositions about the Grief Recovery Process for the Self-Employed. *Academy of Management Review*, vol. 28, pp. 318–29.

In this paper the author uses the psychological literature on grief to explore the emotion of business failure, suggesting that the loss of a business from failure can cause the self-employed to feel grief—a negative emotional response that interferes with the ability to learn from the events surrounding that loss. The author discusses how a dual process of grief recovery maximizes the learning from business failure.

Shepherd, Dean. (2004). Educating Entrepreneurship Students about Emotion and Learning from Failure. *Academy of Management Learning & Education*, vol. 3, pp. 274–88.

In this article the author offers suggested changes to pedagogy to help students manage the emotions of learning from failure and discusses some of the challenges associated with measuring the implications of these proposed changes. The author then expands his scope to explore the possibility of educating students on how to manage their emotions to avoid failure and, more generally, improve their emotional intelligence, and how organizations can improve their ability to help individuals regulate their emotions.

Shepherd, Dean. (2009a). Grief Recovery from the Loss of a Family Business: A Multi- and Meso-Level Theory. *Journal of Business Venturing*, vol. 24, pp. 81–97.

In this article the author develops a multi- and meso-level theory of grief recovery time from the loss of a family business. The multi-level aspect of the model suggests how primarily micro theories of grief and sense making can help explain grief recovery time at the family group level. The meso-level aspect of the model provides insight into recovery from the loss of a family business by proposing how grief dynamics interact at the individual level through emotional intelligence and the family group level through emotional capability. By supplementing theories of grief with those of sense making, the model provides a deeper understanding of the grief recovery process. This model has implications for scholars and practical implications for family business members and the family unit.

Shepherd, Dean. (2009b). *From Lemons to Lemonade: Squeeze Every Last Ounce of Success Out of Your Mistakes*. Philadelphia, PA: Wharton School Publishing.

As the author states: Face it. Everyone fails, at least sometimes. Especially nowadays. It's what you do next that makes all the difference. That's where this book comes in. This book helps you learn all you can from your failure, instead of letting it defeat you. You'll discover proven techniques for managing the emotional trauma of failure . . . objectively understanding what actually happened . . . and applying those lessons quickly and effectively, so you can transform yesterday's failure into tomorrow's triumph!