

## The role of self-identity in decision making by entrepreneurs

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### Principal Topic

Questions of self-identity go to the heart of major debates in the decision sciences, such as the relationship between individual and social choice, free will versus determinism, and the basis of personal ethics in decision making (Kahneman & Tversky, 2000; March, 1997; Sen, 1997). In response, much recent scholarship portrays the self neither as an idealised autonomous agent independent from the social milieu, nor as a slave to social and environmental forces. Rather, the decision making self is viewed as both consciously agentic and unconsciously emergent through interactions within the social world (Bandura, 2001; Higgins, 1998b; Schwartz, 2002). The same questions infuse research into the nature of decision making by entrepreneurs. For example, to what extent are entrepreneurs free autonomous individuals, as opposed to being constrained by markets, firms and organizational factors (Krueger, Reilly, & Carsrud, 2000; Schwartz, 2002)? What role does self-identity play in shaping the motivations and goals of entrepreneurs (Goss, 2005; Shaver & Scott, 1991)? To what extent do entrepreneurs self-regulate decision making behavior in the pursuit of an idealized self-concept (Brockner, Higgins, & Low, 2004; Miner, 2000)?

Earlier research into these aspects of entrepreneurial psychology and decision making focused on personality traits as the defining features of the agentic self. However, the personality trait approach was not supported by empirical studies (Low & MacMillan, 1988; Shaver & Scott, 1991). Instead, recent research has focused on cognitive factors and the role of "entrepreneurial cognition" which incorporates the use of mental models, heuristic thinking, intuition and pattern recognition (Baron, 1998; Mitchell, Busenitz, Lant, & McDougall, 2002). Indeed, such social cognitive factors have become major topics of research in psychology more generally (Cervone, 2004; Mischel, 2004). One of these factors is social cognitive self-regulation, which refers to the process of setting goals and then self-directing cognition and behavior (including decision making) towards the achievement of one's goals (Vancouver, 2000).

In this exploratory study, I investigate the relationship between self-regulation, self-identity and decision making among entrepreneurs. Specifically, I explore whether the self-regulated pursuit of an idealized self-concept influences entrepreneurial decision making. To do so, I measure two important self-regulatory factors: entrepreneurial self-efficacy and regulatory focus. Self-efficacy is defined as a person's sense of their own ability to perform certain tasks successfully (Bandura, 1997). Regulatory focus is defined as a person's orientation towards future goals and self-states. It comprises two types of regulatory orientation, promotion focus and prevention focus (Higgins, 1998a). Promotion focus describes those circumstances where growth and advancement needs motivate people to try to bring themselves into alignment with their ideal selves, thereby heightening the importance of potential gains and the use of eager approach means. In contrast, prevention focus describes those circumstances where security and safety needs prompt people to seek alignment with their ought selves, thereby increasing the avoidance of potential losses and the use of vigilance means. Regulatory focus can be either situational or chronic, with its chronic form expressed as regulatory pride which is the focus of this study. The recent literature suggests that regulatory pride may play a major role in goal-setting, decision making and self-construal among entrepreneurs (Baron, 2004; Brockner et al., 2004).

### Methodology/Key Propositions

The study is exploratory in nature and focuses on the lived experience of actual entrepreneurs as decision makers. Scholars have recommended more diverse methodological approaches to research on such topics (Gartner & Birley, 2002; Sarasvathy, 2004). I therefore adopted a mixed methods approach incorporating both quantitative and qualitative techniques. I purposively selected 30 entrepreneurs (defined in this study as founder managers) representing a range of industries, stages of growth and personal backgrounds. All

participants answered a survey which incorporated pre-existing instruments to measure entrepreneurial self-efficacy and the two forms of regulatory pride termed promotion pride and prevention pride. In addition, I conducted semi-structured interviews with the same 30 entrepreneurs about numerous aspects of their decision making. Both sets of data were analyzed using standard techniques and then integrated to identify relationships between self-regulation and self-identity in decision making.

### **Results and Implications**

The results suggest that entrepreneurs possess a distinctive pattern of self-regulation which links promotion pride and entrepreneurial self-efficacy. However, they are not homogeneous in this respect and important differences also exist. In particular, entrepreneurs with stronger self-regulatory characteristics displayed a stronger and more independent self-construal (cf. Markus & Kitayama, 1991). They also displayed a stronger sense of personal life history in relation to pursuing an entrepreneurial career (cf. McAdams, 2001). These features of self-identity and self-regulation were related to more ambitious, visionary and purposeful decision making in entrepreneurial pursuits (cf. Brockner et al., 2004). In contrast, those with weaker self-regulatory characteristics displayed a weaker sense of self-identity and personal history as entrepreneurs. They also focused more on external risks and potential losses in decision making.

These findings suggest that future research into entrepreneurial cognition and decision making should explore the specific patterns of self-identity that emerge in the remembered past, perceived present and anticipated futures of entrepreneurs. Such research should also focus attention on patterns of self narrative as factors in entrepreneurial career choice and opportunity selection (cf. McAdams, 2001; Sarasvathy, 2004). This study suggests that such factors may play a significant role in shaping the motivations, goals and behaviors of entrepreneurs. In these respects, the findings deepen previous research into entrepreneurial cognition and decision making as important features of entrepreneurship.

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