

## 2.2: Entrepreneurial Mindset

### Learning Outcomes and Task Summary

#### Learning Outcomes:

- Discover the importance of entrepreneurial cognitions
- Assess whether entrepreneurial cognitions are defining features of successful entrepreneurs
- Consider which cognitive concepts provide the most insight into understanding entrepreneurs

#### Task Summary:

- [Lesson 2.2.1: Entrepreneurial Cognitions](#)
- [Lesson 2.2.2: Bases of Entrepreneurial Cognition](#)
- [Activity 2.2.1: Read/Watch/Listen – Reflect](#)
- [Activity 2.2.2: Journal Entry](#)

### Lesson 2.2.1: Entrepreneurial Cognitions

#### Transcript

As amazing as entrepreneurship is, not everyone wants to be an entrepreneur. This may stem from the preconceived, and limited, notions of what an entrepreneur is, or taking on new things may feel overwhelming for some. For those who do choose to take on new adventures to drive positive change, not everyone is able to succeed in achieving their goals. Why is that? What is the distinguishing feature that makes some entrepreneurs successful while others are not?

Luckily some wise individuals have been studying this and have found that with all characteristics, traits, timing, access to resources, and luck being the same, the key factor that differentiates the entrepreneurs who are successful from those who are not, are entrepreneurial cognitions.



It is only fairly recently that entrepreneurship scholars have focused on cognitive skills as a primary factor that differentiates successful entrepreneurs from non-entrepreneurs and less successful entrepreneurs. This approach deals with how entrepreneurs think differently than non-entrepreneurs (Duening, 2010; Mitchell et al., 2007). Entrepreneurial cognitions are the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation and venture creation and growth. In other words, research in entrepreneurial cognition is about understanding how entrepreneurs use simplifying mental models to piece together previously unconnected information that helps them to identify and invent new products or services, and to assemble the necessary resources to start and grow businesses (Mitchell, Busenitz, et al., 2002, p. 97).

Mitchell, Smith, et al. (2002) provided the example of how the decision to create a new venture (dependent variable) was influenced by three sets of cognitions (independent variables). They described these cognitions as follows:

Arrangements cognitions are the mental maps about the contacts, relationships, resources, and assets necessary to engage in entrepreneurial activity; willingness cognitions are the mental maps that support commitment to venturing and receptivity to the idea of starting a venture; ability cognitions consist of the knowledge structures or scripts (Glaser, 1984) that individuals have to support the capabilities, skills, norms, and attitudes required to create a venture (Mitchell et al., 2000).

According to Baron (2004a), by taking a cognitive perspective, we might better understand entrepreneurs and the role they play in the entrepreneurial process. The cognitive perspective emphasizes the fact that everything we think, say, or do is influenced by

mental processes—the cognitive mechanisms through which we acquire, store, transform, and use information. It is suggested here that this perspective can be highly useful to the field of entrepreneurship. Specifically, it can assist the field in answering three basic questions it has long addressed:

1. Why do some persons but not others choose to become entrepreneurs?
2. Why do some persons but not others recognize opportunities for new products or services that can be profitably exploited?
3. Why are some entrepreneurs so much more successful than others (Baron, 2004a, p. 221-222)?

Baron (2004a), illustrated how cognitive differences between people might explain why some people end up pursuing entrepreneurial pursuits and others do not. Research into cognitive biases might also help explain why some people become entrepreneurs.

Baron (2004a) also revealed ways in which cognitive concepts like signal detection theory, regulation theory, and entrepreneurship might help explain why some people are better at entrepreneurial opportunity recognition. He also illustrated how some cognitive models and theories – like risk perception, counterfactual thinking, processing style, and susceptibility to cognitive errors – might help explain why some entrepreneurs are more successful than others.

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## Lesson 2.2.2: Bases of Entrepreneurial Cognition

### Transcript

#### *Prior Knowledge & Entrepreneurial Cognition*

The ability to identify opportunities is among the most important skills successful entrepreneurs have (Ardichvili et al., 2003), thus making this topic particularly important for entrepreneurship research. While higher levels of knowledge (education) seem to facilitate opportunity recognition generally, different types of knowledge trigger the recognition of different types of opportunities (e.g., knowledge related to problems of nature can trigger the identification of environmental opportunities, and knowledge related to international markets can facilitate the identification of opportunities abroad). Knowledge related to opportunity recognition can be internal to the entrepreneur but can also be provided by external sources, such as venture capital investors.

Moreover, it appears that entrepreneurs' prior knowledge plays an important role in the cognitive process of structural alignment that "connects the known with the unknown" and, in doing so, can facilitate opportunity recognition.

#### *Motivation and Entrepreneurial Cognition*

In addition to prior knowledge, researchers have identified motivation—the behavior-triggering force, which directs behavior and increases persistence with a course of action (Bartol and Martin, 1998)—as an important antecedent of opportunity identification. Shepard and Patzelt found that while some motivators appear to trigger entrepreneurial action more generally (e.g., financial rewards or certain individual values), other types of motivation seem to stimulate a specific type of entrepreneurship (e.g., empathy motivating entrepreneurial action targeted toward developing societies). Interestingly, the inability to pursue a career as a salaried employee (e.g., due to injury or psychological disorder) can also stimulate entrepreneurial motivation. Finally, a key finding is that the effects of prior knowledge and those of motivation as described in this section do not seem to be independent of each other but can conjointly motivate entrepreneurial action.

#### *Attention and Entrepreneurial Cognition*

Attention refers to a non-specific and limited cognitive resource that is required for mental activities and differs across individuals and tasks

(Kahneman, 1973). While all of our attention is a limited resource, where we allocate attention influences several aspects of the entrepreneurial process, including environmental changes and the recognition, evaluation, and exploitation of opportunities. The research shows there are several factors at the individual, organizational, and environmental level that explain how entrepreneurs allocate attention, and that cognitive processes, particularly metacognition, impact individuals' attention allocation and thereby entrepreneurial outcomes.

#### *Entrepreneurial Identity*

Identity refers to the meanings that individuals attach to themselves (Gecas, 1982) and is often understood as the answer to the question "Who am I?" (Stryker and Burke, 2000). An entrepreneurial career provides multiple opportunities for individuals to develop a meaningful and unique self-identity that reflects the characteristics and traits discussed earlier in the course. To balance the fulfillment of the basic need to be distinct with the basic need to belong, entrepreneurs can apply integration or

compartmentalization strategies to manage their work-related and non-work-related micro-identities. It is also important to note that traumatic events can disrupt one's occupational identity, and that entrepreneurship as an alternative career may help reconstruct it and in doing so help individuals recover emotionally and psychologically.

### Emotion and Entrepreneurial Cognition

Entrepreneurship is a highly emotional endeavor; it has often been portrayed as an “emotional rollercoaster” with multiple ups and downs that impact

entrepreneurs' emotional experiences. Emotions not only play a key role in understanding entrepreneurs' opportunity exploitation decisions, but they also impact the motivation of employees to engage in entrepreneurial action. Particularly when entrepreneurial projects within organizations fail, employees often experience substantial negative emotions which can diminish motivation and learn from the failure experience. On the upside, these effects are contingent on the organizational environment normalizing failure, as well as individuals' coping orientations, self-efficacy, and self-compassion.

After completing the readings and videos, reflect on what these forms of cognition mean to you and how you have seen them manifest in your own life experience.

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### Activity 2.2.1: Read/Watch/Listen – Reflect

Continuing to build your entrepreneurial research, problem-solving, and opportunity identification skills, reflect on the entrepreneurial cognitions that appeal to you the most and reflect on how these cognitions, when paired with your definition of entrepreneurship, might be used to create your own entrepreneurial success over the next 18 months.

The key steps are:

1. Research the links below
2. Identify three entrepreneurial cognitions that seem particularly important to you
3. Reflect on why these cognitions are important and their role in entrepreneurial success
4. Reflect on your own abilities with these three specific cognitions
5. Reflect on how you can create your own success using these cognitions, given your definition of entrepreneurship over the next 18 months

#### Resources:

- Watch this video on the [How Your Mind Can Amaze and Betray You](#)
- Watch this video on [Entrepreneurial Cognition](#)
- Watch this video on [How to Figure Out What You Really Want](#)
- Watch this video on [What is Success Playlist](#)

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### Activity 2.2.2: Journal Entry

It's time to reflect on your Module 2 learning experience. This journal entry is all about the learning experience that you have had thus far. Identify your learning strengths, and what has come easily to you as you have gone through the first module of the course. Also, identify the areas which you want to strengthen and improve on from a learning perspective. Keep in mind this journal entry is not about the content you have learned, but rather how you have learned, and the Learning Experience. This is intended to help you better understand yourself as a learner, which is really important as you go through not only this course but also the rest of your education. You will reconsider your strengths, weaknesses, and key learnings and determine specific steps to prepare and complete the oncoming learning challenge of exploring the entrepreneurial mindset for yourself. Your journal entries should be either 150 to 300 written words or a video that is approximately 4 minutes. Using your own experience and the course material, reflect in your journal (blog, vlog, etc) on all of the following prompts for this module:

- Key Concepts you have learned that help you better understand entrepreneurship
- Concepts that were easy to understand and why
  - If there was not a particular concept that was easy to understand, reflect on why this was the case
- Concepts that were difficult to understand and why
  - If there was not a particular concept that was difficult to understand, reflect on why this was the case

Next, create a rough draft explanation of the entrepreneurial mindset (aim for one or two sentences).

## Media Attributions

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## Text Attributions

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