CALL FOR PAPERS

Special Issue of *Journal of Business Venturing*

RATIONALITY IN THE ENTREPRENEURSHIP PROCESS:
IS BEING RATIONAL ACTUALLY RATIONAL?

Submission Deadline: December 1, 2020

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Overview

In this special issue, we aim to tackle the provocative topic of entrepreneurial rationality and explore what it is, what it does, where it comes from, who has it, how and why it works, and the contextual factors that influence when it does and doesn't work. We also examine whether cognitive shortcuts that are often considered non-rational enable entrepreneurs to make improved decisions or whether, and when, such cognitive shortcuts result in less effective decisions (Busenitz & Barney, 1997; Manimala, 1992; Shepherd, Williams, & Patzelt, 2015). We also seek insights on how new methods of research such as neuroscience, biology, or virtual reality simulators enable a deeper examination of questions around entrepreneurial rationality and irrationality. In pursuing such questions, we hope to address unanswered questions regarding how entrepreneurs *should* make decisions along with our more commonly considered questions of how they currently *do* make decisions which impact how they behave or act.

Background

Concerning entrepreneurs' decision-making, Shepherd et al. (2015) noted that "…we are far from having a comprehensive and coherent story of this phenomenon. Instead, the field has become increasingly fragmented and diverse" (p. 38). On one hand, we have the notion that entrepreneurs should make decisions using rationality, defined as a "…normative basis for deciding and acting" (Miller, 2007, p. 67). On the other hand, we have the notion that due to uncertainty and ambiguity inherent in entrepreneurship, biases and heuristics represent a necessary "…systematic deviation from rationality or norms in judgment and decision making" (Zhang & Cueto, 2017, p. 419). In summary of the related literature, Zhang and Cueto (2017, p. 442) note that we find "…definitional disagreements, equivocal relationships, and overdue connections to advancements in other relevant research streams." Concerning rationality specifically, Miller (2007, p. 68) notes that empirical approaches are needed, because conceptual arguments alone cannot provide adequate answers.

In line with these sentiments, and despite recent advances in the management and psychology literature (e.g., Artinger, Petersen, Gigerenzer, & Weibler, 2015; Gigerenzer & Gaissmaier, 2011), the state of affairs in this area of entrepreneurship research—specifically surrounding entrepreneurs' rationality in the entrepreneurship process—is a quagmire of mixed empirical findings and non-conclusive conceptual musings. We believe a seismic shift in extant approaches to research in this area is needed to move this research forward. Herein lies the motivation, and necessity, for this special issue.

What We Know and What We Do Not Yet Know

What we know about rationality in the entrepreneurship process, to date, has primarily explored rationality in the decision-making processes of entrepreneurs, and the actions of different types of investors (e.g. angels, VCs, crowdfunders). Regarding the first topic, decision-making processes (Miller, 2007; Zhang & Cueto, 2017), research reveals that entrepreneurs may engage in irrational actions for a variety of reasons such as too much confidence or too much optimism, uncertainty, similarity biases, and escalation of commitment. Here, some research contends that biases and heuristics are necessary in order to navigate the entrepreneurship process, whereas in some cases entrepreneurs and stakeholders with such biases and heuristics make errors (Busenitz & Barney, 1997; Holcomb, Ireland, Holmes, & Hitt, 2009; Manimala, 1992; Shepherd, Williams, & Patzelt, 2015), thus suggesting that rationality would be preferred.

Regarding the second topic, actions of different types of investors (e.g. angels, VCs, crowdfunders), the literature is expanding quickly (e.g., Balachandra, Briggs, Eddleston, & Brush, 2017; Brush, Greene, Balachandra, & Davis, 2018). Here, sources of biased decisions include gender (e.g., Kanze, Huang, Conley, & Higgins, 2018; Malmström, Voitkane, Johansson, & Wincent, 2018), gender stereotypes (e.g., Johnson, Stevenson, & Letwin, 2018), passionate displays or perceptions (e.g., Mitteness, Cardon, & Sudek, 2013), individuals' attractiveness (e.g., Baron, Markman, & Bollinger, 2006; Brooks, Huang, Kearney, & Murray, 2014), trustworthiness (e.g. Maxwell & Levesque, 2014), and weight (e.g., Pollack, Burnette, & Hoyt, 2015). This body of work is large and growing, and it shows that investors use non-rational decision criteria. Yet, we do not know whether this is how they *should* be making decisions; we have little evidence concerning the utility of such non-rational decision factors in terms of how well investments made based on such factors pay off for the investors or the entrepreneurs receiving them. Perhaps the context of investor decision-making is one in which rationality is less optimal than what would otherwise be considered "biases" in decision-making, though we have little evidence to evaluate the efficacy of rational versus non-rational decision criteria of investors.

In sum, despite the work in these two main areas, described above, what we do not yet know far outweighs what we do know about rationality in the entrepreneurship process. Specifically, what is it about the entrepreneurial context and process that lends itself to different standards of rationality in behaviors and actions related to, potentially, different outcomes other than success? For example, the notion of "fail fast" and "fail quickly" would certainly not be considered rational in a large, established organizations. But, in the nascent entrepreneurship context, this may indeed be rational advice to give aspiring entrepreneurs (e.g., Khanna, Guler, & Nerkar, 2016). What are or should the standards for rationality be in the context of entrepreneurial behaviors and actions, where there is a prevalence of risk, uncertainty, and ambiguity (e.g. McMullen & Shepherd, 2006; Heath & Tversky, 1991)? Are there different norms for what would be considered rational in different entrepreneurial environments or for different types of situations? We don't have answers to such questions, yet given the importance of the variety of decisions about behaviors and actions entrepreneurs make on a regular basis, this is a problematic void in our literature.

Given the state of the literature, there are numerous areas where insights are needed. First, we have little knowledge of how entrepreneurs *should* make decisions regarding behavior and actions. While Shepherd et al. (2015) provided insights into how entrepreneurs do make decisions, we need more normative assessments that can tell us when and why rational decisions are needed and when a "systematic deviation from rationality or norms in judgment and decision making" is needed. One of the only examples is Kanze et al. (2018), who found support for the premise that entrepreneurs can use certain tactics to decrease the gender disadvantage in funding (i.e., responding to prevention-focused questions with promotion-focused answers). In sum, there is a need for more work to (a) explore what level of rationality is appropriate for different entrepreneurial behaviors and actions and/or contexts, (b) explore ways for entrepreneurs and key stakeholders to act more rationally based on those standards, and (c) bridge the gap between science and practice to enable entrepreneurs to learn of, and use, such insights (e.g., Banks et al., 2016).

Second, we need more *process-oriented research* that can better capture the need for rationality versus cognitive shortcuts across the entrepreneurial life-span (e.g., McMullen & Dimov, 2013). Put differently, we need focused inquiry across the processes of identifying, exploring, and implementing opportunities that can illuminate the rationality (or not) of being rational at different stages or with different opportunities.

Potential Research Questions This Special Issue Could Address

We seek exemplary research that showcases unique empirical strategies and novel data sources. We also seek research that develops provocative theoretical and philosophical contributions and/or integrates findings and theories across multiple disciplines and perspectives. Some possible broad research questions that might be addressed by contributions in this special issue include:

- What is entrepreneurial rationality, and what can it do to help (or hurt) entrepreneurs? Can rationality be developed and how can we assess it in individuals or teams? How and when is it appropriate (and optimal) to act rationally versus not in the entrepreneurship process?

- How does uncertainty differ from ambiguity, and what are the implications for entrepreneurs' rationality (e.g., Heath & Tversky, 1991; McMullen & Shepherd, 2006)?

- How can extant perspectives regarding the entrepreneurship process be revised to account for advances in the decision-making and entrepreneurship cognition literatures (Baron, 1998)? What do we now know about different cultures and institutions that can inform our thinking about universal norms of rationality (and irrationality) in the entrepreneurship process (Busenitz & Lau, 1996; Klyver & Foley, 2012; Thornton, Ribeiro-Soriano, & Urbano, 2011)?

- How can entrepreneurship researchers leverage the vast literature on judgments and decision-making to examine which biases and heuristics are more applicable in the new venture creation process (e.g., Gigerenzer & Brighton, 2009; Gigerenzer, 2008), and specifically for different aspects of venture creation or creation of different types of ventures (e.g., Brown, Packard, & Bylund, 2018)?

- What are the philosophical approaches (and implications) to exploring rationality in the entrepreneurship process, including topics such as opportunities (e.g., Ramoglou & Tsang, 2016; Davidsson, 2017; Ramoglou & Tsang, 2017) institutions and uncertainty (e.g., Bylund & McCaffrey, 2017), as well as entrepreneurial action (e.g., Hunt & Lerner, 2018).

- Can technological solutions (e.g., virtual reality, computer-mediated decision-making, rubrics) improve the rationality of entrepreneurs' decisions? And, relatedly, building on the work of Kanze et al. (2018), what other tactics can individuals use to optimize decisions and behaviors throughout the entrepreneurship process?

- Are there any objective norms (or situations) in the domain of entrepreneurship that would indicate that individuals (or teams) should make one decision versus another decision given a set of circumstances? Are there situations that are universally rational in that one decision is "right" or "correct"?

- How can research reconcile the conflicting effects of preparation and planning on entrepreneurs' decisions (Shepherd et al., 2015, p. 25)? Should they plan before taking action (which some research supports) or should they avoid planning to mitigate slower actions? And, are some types of planning more effective at guiding rational behaviors and actions relative to others (that are less rational) in terms of achieving different outcomes?

- Can research inform entrepreneurs as to how, optimally, to approach decision-making? How can research empirically examine conceptual frameworks for entrepreneurs' decisions? For example, can we provide evidence-based, prescriptive ideas that inform entrepreneurs when to use rational versus intuitive versus action-oriented decision-making approaches (e.g., Mintzberg & Westley, 2001; Pina e Cunha, 2007)? Are decisions based on "impulse-driven, non-deliberative logics" less optimal (Lerner, Hunt, & Dimov, 2018)? Which biases and heuristics work and which don't (e.g., Artinger et al., 2015; Brandstätter, Gigerenzer, & Hertwig, 2006; Burmeister & Schade, 2007; Gigerenzer & Goldstein, 1996; Goldstein & Gigerenzer, 2002; McCarthy, Schoorman, & Cooper, 1993), and under what conditions, or for what outcomes?

- Are different levels of utility maximization versus cognitive short-cuts appropriate at different stages of the entrepreneurial or venture life-span? Do entrepreneurs with more experience or more successful prior ventures use different levels of rationality versus heuristics? How do their behaviors, actions, and associated decision-making processes impact desired outcomes?

- From a meso perspective, how do different groups (e.g., investors, entrepreneurs) make decisions, and take actions, in the entrepreneurship process? Is there an "optimal" process that can enable groups to view a set of decisions and possible actions objectively? And, relatedly, is "objectivity" the goal? Is the entrepreneurship process best viewed from an objective lens? What are the situations and scenarios in which biases and cognitive shortcuts help individuals (e.g., investors, entrepreneurs, and other stakeholders) optimize behaviors and decisions and actions throughout the entrepreneurship process?

- Implicit versus explicit bias is a needed area of inquiry. For example, what are the implicit biases that affect the entrepreneurship process (e.g., Chassot, Klöckner, & Wüstenhagen, 2015)? There are multiple neuroscientific approaches which could reveal nuanced insights that we have missed so far (Marini et al., 2016; Meadors & Murray, 2014; Nosek, Hawkins, & Frazier, 2011). Overall, what current approaches to detect implicit versus explicit biases can be leveraged to add insight to the rationality (or irrationality) of the entrepreneurship process?

- What are the best practices, both quantitative and qualitative, that can be applied to study rationality in the entrepreneurship context (e.g., Anderson, Wennberg, & McMullen, 2019; Kraus, Ribeiro-Soriano, & Schüssler, 2018; Täuscher, 2018)? Relatedly, how does our approach to entrepreneurship research, as academics, introduce irrationality and/or bias into the methods and results of our work (e.g., O'Boyle, Rutherford, & Banks, 2014)? Multiple methodologies can likely provide needed insights into this area of research. In line with current best practices, we suggest an open science (OSF; Anderson et al., 2019) approach to developing submissions using these, and other, methods:

  - *Prospective meta-analyses that can provide a critical mass of empirical findings to aggregate*
  - *Randomized clinical trials that can look at ventures with a known outcome (e.g., exit, IPO, acquisition, etc.) and determine what information (low, high) relates to more accurate decisions*
  - *Longitudinal field experiments that influence the decision-making of entrepreneurs relative to a control condition*
  - *fMRI studies that explore which areas of the brain are affected or used when presented with certain information about entrepreneurial ventures*
  - *Qualitative Case Analysis (QCA) and similarly nuanced and rigorous qualitative methods to extract the successful modes of operation the lead to successful ventures.*

Submission Process and Deadlines

- Papers will be reviewed according to the JBV double-blind review process.
- The deadline for submission is **December 1, 2020**.
- Manuscripts should be submitted through the JBV online submission process: www.journals.elsevier.com/journal-of-business-venturing
- Our intention is to host a Professional Development Workshop (PDW) at the Annual Meetings of the Academy of Management on this topic in 2020 in Vancouver, BC, Canada.
- We will host a special issue mini-conference at the Poole College of Management at North Carolina State University (Raleigh, NC) in April 2021. Authors of all R&R papers will be invited to present their revised manuscript to attendees. Invitation and/or attendance for this mini-conference does not guarantee publication (nor does lack of attendance preclude publication.

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