

ABSTRACT

Entrepreneurs often experience rejection, criticism, and failure as part of the entrepreneurial journey - which can cause shame. Entrepreneurs have to reach out to multiple stakeholders like investors, bankers, family and friends, potential employees, and potential customers for acquiring resources. Since entrepreneurs have to convince them about both the potential of the business idea and their own capability to establish the firm successfully, there is a possibility of facing rejections or criticisms or failure, which can cause shame. Hence, it is vital to understand the role of shame in entrepreneurial decision-making since emotions influence decision-making. Existing research on shame in entrepreneurship is limited, less than three studies; hence this research is both timely and necessary. I use the appraisal tendency framework (ATF) as the theoretical framework to understand the impact of shame in different contexts.

In this study, I examine three decision-making scenarios. First, I examine the influence of shame on opportunity evaluation and exploitation decisions. I look at the influence shame has on the assessment of desirability and feasibility of an opportunity. Additionally, I also look at the influence of shame on the decision to exploit the opportunity. I study whether shame influences the relative importance between feasibility and desirability when deciding on entrepreneurial action. Second, I examine the influence of shame on the decision of the entrepreneur whether to seek advice and to use the advice while making decisions. Since advice is known to influence firm performance and entrepreneurs rely on the advice of mentors, advisors, and investors, understanding the role of shame in influencing advice-seeking and advice-taking is essential. Third, I examine the influence of shame on the tendency to make unethical decisions. Existing research has identified that motivation for becoming an entrepreneur affects moral disengagement, which subsequently influences the tendency to make unethical decisions. But there is no work in entrepreneurship, which looks at the possible influence of shame on ethical decision-making, a moral emotion known to influence ethical decision-making.

I hypothesize that entrepreneurs experiencing shame would evaluate the desirability and feasibility of the opportunity to be lower than the assessment by entrepreneurs not experiencing shame. I hypothesize that shame would make an entrepreneur give more significant weightage to feasibility (over desirability) while deciding whether to exploit the opportunity or not. About advice, I hypothesize that shame would make the entrepreneur less open to seeking advice. Still, expert advice would make the entrepreneur more open to using it in decision-making. Finally, on ethical decision making, I hypothesize that shame would increase the tendency of the entrepreneur to make unethical decisions. In particular, I hypothesize that it will positively influence the relation between moral disengagement and the tendency to make unethical decisions. It will positively influence the relation between financial-gain motive and moral disengagement and negatively influence the relation between self-realization motive and the tendency to make unethical decisions.

I used an online between-subjects experimental design on actual entrepreneurs working in business incubators to study the impact of shame on the three decision-making scenarios. The experimental design randomly allocated the participants into a treatment (shame) group and a control (no shame) group. Participants in the treatment group were induced with shame, and participants in the control group were induced with neutral emotion. For studies one and two, 120 entrepreneurs were involved. Post emotion manipulation, participants were given a business idea to evaluate. They were also given a choice to seek expert advice and revise their assessment based on the expert advice. For study three, 123 entrepreneurs were involved. After emotion manipulation, participants were given hypothetical scenarios involving ethical dilemmas to evaluate. The entire study was done online using QuestionPro.

I used SPSS to analyze the data collected from the participants. For study one, I used a t-test to analyze the feasibility and desirability assessment differences between the two groups. I used linear regression to study the relative weightage of feasibility and desirability on the entrepreneurial action decision. For study two, I used a t-test to analyze the difference in advice-seeking and the decision to utilize the advice and change the feasibility and desirability assessment. For study three, I used t-tests to analyze the difference in the correlation coefficients to study the influence of shame on the relation between motivation and moral disengagement and the tendency to make unethical decisions. The results show that shame leads to a conservative estimate of desirability and feasibility. Shame makes the entrepreneur value feasibility more than desirability while deciding on opportunity exploitation. I find weak support for the impact of shame on advice seeking and advice taking. Results also support our hypothesis that shame leads to an increase in the tendency to make unethical decisions.

This study contributes to emotion research in entrepreneurship by extending the work of shame to entrepreneurship. It also contributes to entrepreneurial action theory by looking at the micro-foundations of entrepreneurial decision-making (involving opportunity assessment). It contributes to advise literature by studying the influence of context (the way advice is delivered and the emotion it elicits) in advice seeking and advice taking. It also contributes to ethical decision-making by introducing the boundary condition of shame in the relation between entrepreneurial motivation and moral disengagement and ethical decision-making. The study also contributes to practice by making the entrepreneur and the significant stakeholders (like investors, mentors, advisors) aware of the possible influence of shame on decision making.

To increase the generalizability of the findings, I have incorporated the recommendations in recent studies on using an experimental design in entrepreneurship. Still, one of the limitations of using experiments is the limited external validity. Recent reviews on shame studies theorize on the moderating role of reparability of the cause of shame in influencing the outcome of shame. This can be an interesting future work to pursue and understand how the cause of shame can influence the entrepreneur's decisions.