

Study links entrepreneurial optimism with business success

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Widespread collective entrepreneurial optimism in the United States is highly predictive of the number of new venture startups and small business growth, according to a University of Oklahoma study. This optimism can be contagious in its ability to encourage others to start firms when optimism is a widespread social phenomenon. This finding challenges the notion that necessity is the mother of invention in regards to startups.

"Our study is the first to find a strong linkage between widespread entrepreneurial optimism and new venture startups and growth. It has been a long-held assumption that entrepreneurs are an optimistic, upbeat group, but what we learn from our work is that their optimism can be contagious and, when that occurs, there is a direct tie to business startup and growth," said Jeremy C. Short, Rath Chair in Strategic Management, Division of Entrepreneurship and Economic Development, Michael F. Price College of Business.

The empirical study of the link between entrepreneurial optimism and business success was conducted by Short; Aaron H. Anglin, lead author and graduate research assistant at Price College of Business; and Aaron F. McKenny, professor at the University of Central Florida. The researchers examined quarterly fluctuations in collective entrepreneurial optimism over a 17-year period from 1993 to 2010 using National Federation Independent Business data.

The team used media data from 242 *USA Today* articles covering

entrepreneur and small business endeavors over the same time period, which showed that the spread of collective entrepreneurial optimism is reflected in press coverage of entrepreneurs—an indication that the media plays a key role in perpetuating the spread of entrepreneurial optimism. They also used 604 articles collected from six regional newspapers, which showed that collective entrepreneurial optimism may differ by geographic region in the United States.

Finally, the team concluded that in more turbulent, rapidly changing economic environments like the dot-com boom in the late '90s, collective entrepreneurial optimism becomes more important in predicting startups and growth. This finding suggests that when markets do not provide entrepreneurs with the hard clues they need to determine when to launch or grow a business, then entrepreneurs turn to each other for deciding when to make a decision.

This study will be published in an upcoming issue of *Entrepreneurship: Theory and Practice*—a Financial Times top 50 research journal.

Provided by University of Oklahoma

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