

# THE RIGHT PEOPLE IN THE WRONG PLACES: THE PARADOX OF ENTREPRENEURIAL ENTRY AND SUCCESSFUL OPPORTUNITY REALIZATION

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We advance a model that highlights contingent linkages between overconfidence and narcissism, entrepreneurial entry, and the successful realization of venture opportunities. Overall, our proposals point to a paradox in which entrepreneurs high in overconfidence and narcissism are propelled toward more novel venture contexts—where these qualities are most detrimental to venture success—and are repelled from more familiar venture contexts—where these qualities are least harmful and may even facilitate venture success. To illuminate these patterns of misalignment, we attend to the defining characteristics of alternative venture contexts and the focal constructs of overconfidence and narcissism.

—Prologue (September 27, 1999):

Shaheen's departure from Anderson for cyber-grocer Webvan shocked his rivals in the world of consulting who couldn't imagine Shaheen walking away from the company he helped build into the world's largest consulting firm. But it was just the latest in a long line. In the past year, executives have left Citibank, PepsiCo, AT&T and other brand-name companies that used to be considered the cream of the executive crop to join the wild world of Internet start-ups (Chambliss, 1999: A37).

—Epilogue (April 16, 2001):

George T. Shaheen resigned on Friday as the chief executive of the Webvan Group, an online grocer, ending an 18-month tenure that symbolized the allure and ultimate disappointment of Internet start-ups for established corporate executives. In a prepared statement, Mr. Shaheen, 56, said Webvan needed "a different kind of executive" (Leonhardt, 2001: C2).

Why do accomplished leaders forgo the comfort and security of their existing organizations to pursue entrepreneurial opportunities through new ventures? This puzzle, which applies as much to corporate executives, like those described above, as it does to repeat entrepreneurs who leave their

more stable and successful ventures to pursue "the next big thing" in other start-ups (cf. Lewis, 2000), has central relevance to research on entrepreneurial entry and successful opportunity realization (Busenitz et al., 2003; Sarasvathy, 2004). However, unraveling it may be less straightforward than it seems. Entrepreneurial entry is shaped not only by entrepreneurs' perceptions of what opportunities seem viable but also by their motivation to pursue one type of opportunity over another. Similarly, successful opportunity realization is influenced not only by entrepreneurs' personal qualities but also by the fit between those qualities and the unique demands of alternative venture contexts. For both such dynamics, we submit that overconfidence and narcissism play understudied yet consequential roles—where new ventures regularly end up being led by "different kinds of executives" than what is required for their success.

Our interest in overconfidence, as one of the two focal constructs in this article, stems from its exceptional relevance to entrepreneurship, where it stands out as one of the few individual-level qualities that scholars have shown to consistently distinguish entrepreneurs from other population groups (Wooldrige, 2009). Overconfidence describes the general belief that one's knowledge, predictions, or abilities are superior to one's peers' (Griffin & Varey, 1996). While most people exhibit overconfidence to some degree when facing challenges marked by moderate to extreme uncertainty

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We are grateful for the insights and thoughtful advice of former associate editor Cindy Devers and three anonymous reviewers, as well as colleagues Ray Aldag, Greg Fisher, and Ted Waldron. We also appreciate the generous financial support of the UW–Madison Initiative for Studies in Transformational Entrepreneurship.

(e.g., Odean, 1998; Taylor & Brown, 1988; Weinstein, 1980), the severity of this cognitive bias differs across individuals, with entrepreneurial founders exhibiting higher levels of overconfidence, on average, than their peers (Busenitz & Barney, 1997; Lee, Hwang, & Chen, 2014).<sup>1</sup> Building on this evidence, scholars have proposed that overconfidence may lead entrepreneurs to pursue questionable ventures, engage in limited efforts to establish venture legitimacy, seek fewer resources than needed for venture success, and allocate available resources in myopic ways (Cassar, 2010; Cassar & Friedman, 2009; Cooper, Woo, & Dunkelberg, 1988; Hayward, Shepherd, & Griffin, 2006). These proposals build on the basic premise that overconfident entrepreneurs believe they can “do more with less,” which clouds their decision making and hinders organizational success (Koellinger, Minniti, & Schade, 2007).

Narcissism, like overconfidence, also has central relevance to entrepreneurship. Narcissism describes “the degree to which an individual has an inflated sense of self and is preoccupied with having that self-view continually reinforced” (Chatterjee & Hambrick, 2007: 204, citing Campbell, Goodie, & Foster, 2004). The first part of this definition conveys the continuous nature of narcissism, where narcissism is a personality characteristic on which individuals can be ranked from low to high based on the level they tend to exhibit (e.g., Campbell, Hoffman, Campbell, & Marchisio, 2011; Chatterjee & Hambrick, 2007, 2011).<sup>2</sup> The second part of this definition reflects the basic qualities of the narcissistic personality, where excessive self-admiration, arrogance, perceptions of entitlement, and hostility toward external criticism play central and defining roles (Emmons, 1987; Judge, LePine, & Rich, 2006; Lubit,

2002; Resick, Whitman, Weingarden, & Hiller, 2009; Wales, Patel, & Lumpkin, 2013). Scholars have linked narcissism to such important outcomes as entrepreneurial entry and venture success (de Vries, 1996; Grijalva & Harms, 2013). For entrepreneurial entry, narcissistic desires for continued attention, praise, and glory can lead individuals high in narcissism to pursue opportunities in entrepreneurial start-ups, where their elevated egos can be reinforced (Goncalo, Flynn, & Kim, 2010; Grijalva & Harms, 2013; Vecchio, 2003). For venture success, this same desire for continued ego validation can lead individuals high in narcissism to dismiss or ignore salient performance cues that indicate the need to change course from their originally espoused visions (cf. Chatterjee & Hambrick, 2011). These ideas build on the basic premise that—distinct from the cognitive biases of overconfidence described earlier—narcissistic entrepreneurs tend to behave in ways that are self-aggrandizing, which affects their decision making and can hinder the success of the ventures they lead.

The above foundations have established overconfidence and narcissism as important constructs in entrepreneurship; however, we know less about their conditional effects—particularly, less about how overconfidence and narcissism, independently and in tandem, help to explain the perception, pursuit, and successful realization of opportunities in different venture contexts. This gap is an important one to address for two primary reasons. First, given that not all entrepreneurial leaders exhibit overconfidence and narcissism (cf. Forbes, 2005; Grijalva & Harms, 2013; Wales et al., 2013), the variable presence of these qualities across individuals helps to inform basic questions of entrepreneurial entry, affecting not only broader entry patterns, as is typically theorized, but also the *type* of opportunities entrepreneurs differently perceive and pursue. Second, given that not all opportunities are alike, mechanisms of overconfidence and narcissism may also have effects that vary systematically by venture context, affecting not only the strength of such effects, as is typically theorized, but also the potential *directionality* of those effects. These points echo Gartner’s contention that

entrepreneurs and their firms vary widely . . . the environments they operate in and respond to are equally diverse. . . . it is not enough for researchers to seek out and focus on some concept of the “average” entrepreneur and the “typical”

<sup>1</sup> Other scholars have resisted using the term *overconfidence*, since its diagnosis requires knowledge of the true probabilities associated with alternative decision outcomes, which may be impossible to know in organizational settings (e.g., Chatterjee & Hambrick, 2011). We acknowledge this important empirical challenge but use “overconfidence” (i.e., rather than “high confidence”) in our conceptualization to convey the very real cognitive bias that underlies this construct, central to our theorizing. We explain that individuals vary in the level of overconfidence they exhibit, which affects decision making through the extent of their biased perceptions.

<sup>2</sup> In extreme cases individuals exhibit narcissism at pathological levels, taking the form of a clinical disorder. We exclude these extreme cases from our theorizing because of their rarity and the qualitatively different behaviors and measurement scales with which they are associated.

venture creation. . . . this variation in new venture creation needs to be studied (1985: 697).

This article adds to the above ideas by identifying overconfidence and narcissism as linchpin constructs for demonstrating how and why “context matters” in entrepreneurship research. Specifically, we call attention to a paradox that only becomes apparent when we pay attention to the interplay between the core properties of these two constructs and the unique demands of alternative venture contexts. The essence of this paradox is that the “right” people regularly end up in the “wrong” places when it comes to the type of opportunities that entrepreneurs high in overconfidence and narcissism pursue, the type they avoid, and their influence on venture success in both settings. In particular, we propose that entrepreneurs high in these qualities will be drawn toward novel venture contexts, where their overconfidence and narcissism will impede successful opportunity realization, and they will be deterred from familiar venture contexts, where their overconfidence and narcissism would facilitate successful opportunity realization. Overall, our proposals disentangle and add conceptual clarity to the earlier-stated puzzle of why (and with what implications) accomplished leaders forgo the comfort and security of their existing organizations to pursue opportunities in new ventures.

Beyond the broader contributions described above, this article also makes more specific contributions to research on overconfidence, narcissism, and entrepreneurship. To research on overconfidence and narcissism, we contribute a richer understanding of how the cognitive and behavioral mechanisms associated with these constructs interact and have unique implications in alternative contexts. Although scholars have begun to establish overconfidence and narcissism as individual constructs worthy of study, they have paid less attention to their mutual and conditional relevance. Our theorizing highlights the importance of this gap, demonstrating how contextual factors can illuminate fundamental contingencies in how overconfidence and narcissism—both independently and through their joint interaction— influence entrepreneurial entry and successful opportunity realization.

To research on entrepreneurship, we contribute a deeper understanding of the cognitive and behavioral factors that influence important entrepreneurial dynamics. In prior entrepreneurship research scholars have often privileged the more

tangible knowledge, skills, and abilities that entrepreneurs introduce to their ventures as determinants of entrepreneurial entry and venture success. Such work has shown how the experiential backgrounds of entrepreneurs not only affect the industry-specific nature of the opportunities they perceive and pursue (Klepper & Sleeper, 2005; Shane, 2000) but also the technical (Klepper & Simons, 2000) and nontechnical (Chatterji, 2009) capabilities they bring to bear in their pursuits. Beyond the influence of these more tangible, experiential factors, however, are the cognitive and behavioral factors that shape individuals’ decisions and actions. Our model highlights how overconfidence and narcissism may be especially consequential in this respect—with general implications for how, and to what effect, entrepreneurs perceive and pursue entrepreneurial opportunities.

Finally, we advance two novel conceptual approaches for examining entrepreneurship, each of which has the potential to reveal new insights of theoretical and practical relevance. First, our theorizing demonstrates the utility of greater attention to venture context. While scholars have long acknowledged the importance of such inquiries (Gartner, 1985; Low & Abrahamson, 1997; Sandberg & Hofer, 1987; Zahra, 2007), venture context is rarely a focal aspect of entrepreneurship research designs. Instead, contextual factors are typically viewed as differences that must be controlled for, at best, rather than as useful theoretical levers. However, by making the conceptual distinctions between alternative venture contexts explicit, we show how such differences may interact with important entrepreneurial constructs to reveal systematic variance in the type of opportunities entrepreneurs pursue and their potential for success in alternative settings.

Second, and related to the first, we pay explicit attention to the nonrandomized antecedents of multistage entrepreneurial processes. For us, this means considering how, and to what effect for opportunity realization, the determinants of entrepreneurial entry create the conditions where certain types of founders are found disproportionately more or less often in one type of venture context than in another. This type of multistage, context-dependent theorizing helps us speak not only to the basic conundrum raised in our research question (i.e., why leaders leave one good opportunity to pursue another) but also to the age-old question of why so many entrepreneurial

pursuits fail to realize their desired ends. We maintain that insights such as these are regularly masked in studies where venture context, along with contextual antecedents, is not explicitly considered.

The article is organized as follows. First, we lay the groundwork for our model by further specifying our core constructs of overconfidence and narcissism and by elaborating the primary contrasts between novel and familiar venture contexts. Second, we introduce our model in two stages. In the first stage we link overconfidence and narcissism to entrepreneurial entry. We theorize entrepreneurial entry to be a function of the opportunities that entrepreneurs perceive as viable and their motivation to pursue one type of opportunity over another. In the second stage we link overconfidence and narcissism to the successful realization of opportunities. We theorize successful opportunity realization to be a function of the underlying characteristics of alternative venture contexts and the roles that overconfidence and narcissism play in addressing the unique demands of each setting. Finally, we conclude by elaborating the primary theoretical and practical implications of our model and identifying promising directions for future research.

### OVERCONFIDENCE, NARCISSISM, AND VENTURE CONTEXT

Beyond the more tangible knowledge, skills, and abilities that entrepreneurs introduce to their ventures are the cognitive and behavioral tendencies they infuse. Indeed, individuals “inject a great deal of themselves” (Chatterjee & Hambrick, 2007: 351), including their biases and motivations, into their entrepreneurial endeavors. As we elaborate below, two sources of bias and motivation that may be particularly germane to entrepreneurial settings are the overconfidence and narcissism that entrepreneurs exhibit at different levels. In high-discretion, high-demand environments in particular—like those typifying entrepreneurial pursuits—these qualities may be especially germane to venture outcomes: in such challenging settings, where entrepreneurs must regularly operate as a “Jack (or Jill) of all trades” and take mental shortcuts (Alvarez & Busenitz, 2001; Lazear, 2004), their biases and motivations can have a particularly salient influence on the decisions they make and the organizations they lead (cf. Hambrick, 2007).

### Overconfidence and Narcissism Among Entrepreneurs

Compared to other population groups, entrepreneurs’ overconfidence and narcissism may be especially prominent. As mentioned, overconfidence refers to the general belief that individuals have knowledge, predictions, or abilities superior to their peers’, which leads them to overestimate the likelihood desirable outcomes will occur (Griffin & Varey, 1996; Hayward et al., 2006). Because overconfidence implies a cognitive bias that influences decision making (Trevelyan, 2008), it differs from related concepts like self-efficacy and optimism, which refer, respectively, to individuals’ confidence in their ability to perform a role or task (Boyd & Vozikis, 1994; Cassar & Friedman, 2009; Chen, Greene, & Crick, 1998) and their expectation of positive outcomes, even when no rational basis for those expectations exists (Hmieleski & Baron, 2008, 2009; Ucbasaran, Westhead, Wright, & Flores, 2010). An important property of overconfidence is its continuous nature (e.g., Brown & Sarma, 2007; Taylor & Brown, 1988; Weinstein, 1980), where individuals can be placed along a continuum according to the level of overconfidence they tend to exhibit on average.

Overconfidence leads individuals to perceive and pursue entrepreneurial opportunities that other less confident individuals are less apt to identify (Trevelyan, 2008). Indeed, many overconfident individuals appear to self-select into entrepreneurship (Cassar, 2010; Cassar & Friedman, 2009; Hayward et al., 2006), including in the wake of previous venture failures (Hayward, Forster, Sarasvathy, & Fredrickson, 2010). Consistent with these ideas, research has shown that entrepreneurs overestimate the likelihood their early-stage entrepreneurial efforts will result in an operating venture and—in cases where ventures are formed—the likelihood their ventures will realize an expected level of revenue and employment (Cassar, 2010). Other research has shown that founder CEOs exhibit greater confidence than nonfounder CEOs, both in terms of the language they use in their personal Twitter accounts and their earnings expectations for their firms (Lee et al., 2014). Still other research has shown that entrepreneurs are more confident than others when forecasting such basic, role-independent outcomes as their overall life expectancy (Groenen, Koellinger, Van der Loos, & Thurik, 2014).

Studies like these have usefully built on early observations that entrepreneurs tend to exhibit higher levels of confidence than other population groups (cf. Markman, Balkin, & Baron, 2002; Markman, Baron, & Balkin, 2004), including corporate managers (Busenitz & Barney, 1997), which can fundamentally influence their perceptions and pursuit of entrepreneurial opportunities. Overall, by creating an inflated belief in their ability to capitalize on perceived market imperfections, overconfidence provides a cognitive explanation for the pursuit of opportunities and relative prominence of overconfidence among entrepreneurs.

Narcissism, by comparison, offers a behavioral explanation for the relative prominence of narcissism among entrepreneurs.<sup>3</sup> As mentioned, narcissism is a personality trait, "characterized by an inflated sense of self that is reflected in feelings of superiority, arrogant behavior, and a need for constant attention and admiration" (Bogart, Benotsch, & Pavlovic, 2004: 36). At a more granular level, narcissism entails six basic behavioral predispositions: denial, anxiety, rationalization, self-aggrandizement, attributional egotism, and a sense of entitlement. Such dispositions represent the ego-defensive behaviors that narcissists use to combat anxiety and maintain and promote their self-esteem in response to a deeply felt need to do so (Brown, 1997: see also Emmons, 1984, 1987).

In recent years scholars have expanded beyond early treatments of narcissism as a rare pathology that manifests at unhealthy extremes and confirmed its more general relevance as "a personality dimension on which all individuals can be placed" (Chatterjee & Hambrick, 2011: 204, citing Emmons, 1984; see also Raskin & Terry, 1988). Indeed, as Grijalva and Harms explain, "Narcissism, similar to other personality traits, exists along a continuum from high to low levels" (2013: 109). Assessments of narcissism can take the form of direct measures, like those validated in the Narcissistic Personality Inventory (NPI; Raskin & Terry, 1988), or indirect measures, like those advanced by Chatterjee and Hambrick (2007) as more unobtrusive in nature (e.g., leaders' use of first-person singular pronouns in interviews).

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<sup>3</sup> Facets of narcissism (e.g., a high self-regard) can, in some cases, engender cognitive biases associated with overconfidence; however, we separate these effects for conceptual clarity in our model, focusing our discussion of narcissism instead on the more direct behavioral mechanisms it engenders.

Narcissism not only motivates individuals to pursue entrepreneurship as a fulfilling life path but also may provide them with unique advantages in gaining support for their entrepreneurial pursuits. As Kroll, Toombs, and Wright describe, "Narcissism is commonly found in many successful people, and it often compels them to seek leadership positions, with their accompanying power, status, and self-affirmation" (2000: 20). Entrepreneurship offers an alluring pathway to fuel these narcissistic desires. As Steve Blank, famed lean start-up movement entrepreneur, recently explained, entrepreneurship has become in vogue: "When I started, it was what the nerds did and no one was particularly interested in having that as a career. Now it's something that you think you should do because it's glamorous" (quoted in Jorg, 2011).

This fashionable view of entrepreneurship has been propagated by popular connotations that emphasize its potential for creative destruction (Schumpeter, 1934), empire building (Kroll et al., 2000), and heroism (Wooldrige, 2009), thus intensifying its appeal to individuals with narcissistic tendencies. Added to these motivational factors, which make entrepreneurship alluring to narcissistic individuals, are the advantages narcissists enjoy when seeking support for their efforts. Indeed, narcissists have been shown to have above-average "pitching" skills, even when pitching otherwise subpar proposals (Goncalo et al., 2010; Rosenthal & Pittinsky, 2006).

The above set of ideas indicates that overconfidence and narcissism can both play important roles in shaping entrepreneurial entry decisions and consequent behavior. Whereas overconfidence amplifies perceptions of the viability of potential opportunities, narcissism provides important behavioral motivations in their pursuit. Reinforcing these points, David Rose—serial entrepreneur, angel investor, and author of the book *Angel Investing*—has emphasized that "you have to have an unreasonable level of confidence as an entrepreneur, or you'll never get started. . . . Starting a company is extraordinarily difficult, even agonizing. . . . You need self-confidence and ego to get through it" (Surowiecki, 2014).

And yet not all entrepreneurs exhibit high levels of overconfidence and narcissism (Forbes, 2005; Raffiee & Feng, 2014). While both of these qualities take on relatively ingrained forms in individuals (cf. Chatterjee & Hambrick, 2007), each can be amplified by a history of achievements and praise by others. As leaders experience success, they

increasingly attribute broader organizational achievements to their own efforts and capabilities, rather than to external factors (e.g., the macrolevel environment, weak competition), thus fueling, over time, the self-serving biases linked to overconfidence and narcissism (Malmendier & Tate, 2008). Both qualities also can be boosted by the adoration and ingratiation that successful leaders receive from their subordinates, the media, and other stakeholders. An analysis of ten years of *Wall Street Journal* articles showed that journalists tend to “romance leadership” and attribute firm and industry performance to the leaders on which they reported (Meindl, Ehrlich, & Dukerich, 1985). Such celebrity-like portrayals confirm and legitimate individuals’ perceptions of self-importance, thus bolstering those individuals’ narcissism and overconfidence.

Taken together, the above logic and evidence suggest that high levels of overconfidence and narcissism may be present most often among the more seasoned, successful, and influential individuals in the population (e.g., corporate executives, serial entrepreneurs), who—in our setting—may be moving on to pursue “the next big thing” in an entrepreneurial venture. More generally, these ideas convey the possibility that some entrepreneurs will exhibit high levels of overconfidence, others will exhibit high levels of narcissism, and still others will exhibit high levels of both constructs.

### Characteristics of Alternative Venture Contexts

The final foundational concept for our model pertains to the defining characteristics of the alternative venture contexts where entrepreneurs can pursue opportunities. In particular, we consider differences in the level of uncertainty that entrepreneurs must bear when assessing opportunity viability and attempting to commercialize new products and services. Our focus on uncertainty differences helps to ensure the broad application of our conceptualization to an array of industry settings. Whether opportunities are pursued in relatively familiar, “main street” venture contexts—as with new restaurant openings—or in more novel ones—as with satellite-based entertainment offerings (cf. Navis & Glynn, 2010)—entrepreneurs must bear considerable uncertainty. Uncertainty permeates such questions as how to assess concept potential, attract investors, develop technologies, secure partners, and capture markets (Graffin & Ward, 2010). More generally, uncertainty reflects

entrepreneurs’ inability to predict how aspects of the environment are changing, how those changes will affect their ventures, and/or what responses they have available to them (cf. McKelvie, Haynie, & Gustavsson, 2011; Milliken, 1987).

And while uncertainty is endemic to entrepreneurship, the amount of it that entrepreneurs must bear differs considerably by venture context. Thus, for example, while aspiring restaurateurs can draw readily on trade journals, peer businesses, and industry insiders to inform their entrepreneurial efforts, the informational resources available to aspiring technology entrepreneurs—who may be seeking to carve out entirely new industry spaces—are fewer, less concrete, and often unstable. Accordingly, the latter set of entrepreneurs in this example must bear considerably more uncertainty, on average, than the former.<sup>4</sup>

In the model explication that follows, we consider differences in the uncertainty endemic to alternative venture contexts as a focal theoretical lever for considering how overconfidence and narcissism come to influence entrepreneurial entry and successful opportunity realization. Such uncertainty differences lie along a conceptual continuum from perfectly certain at one end to perfectly uncertain at the other end. However, for parsimony, and to highlight the role of the mechanisms in our model most vividly, we distinguish simply between venture contexts that are more or less “novel” (i.e., with high environmental uncertainty) or “familiar” (i.e., with low environmental uncertainty) in nature. Similarly, we consider environmental uncertainty at the aggregate level, where we expect our theorized effects to operate more generally, rather than its manifestation in specific forms (e.g., state, effect, and response uncertainty; McKelvie et al., 2011; Milliken, 1987).

### HOW OVERCONFIDENCE AND NARCISSISM INFLUENCE ENTREPRENEURIAL ENTRY AND SUCCESSFUL OPPORTUNITY REALIZATION

Our model is composed of two stages. In the first stage we focus on mechanisms of entrepreneurial

<sup>4</sup> Many times uncertainty is confused with risk. Our references to uncertainty speak to an entrepreneur’s inability to look to the past to formulate expectations of future states. Accordingly, uncertainty is something that entrepreneurs must bear at different levels. Risk, on the other hand, suggests that a history exists on which entrepreneurs can formulate probabilistic expectations of the future (Knight, 1921). Thus, risk is something that entrepreneurs can *manage*.

entry and ask, "How do overconfidence and narcissism affect entrepreneurial entry patterns?" In the second stage we focus on mechanisms of opportunity realization in different settings and ask, "How do overconfidence and narcissism affect successful opportunity realization in alternative venture contexts?" Overall, our model advances a set of propositions that, taken together, convey that entrepreneurs perceive and pursue opportunities in the very type of venture contexts where their individual qualities contribute least favorably toward successful opportunity realization. We next elaborate the explanatory mechanisms and component relationships for both stages of our model, beginning with entrepreneurial entry.

### Stage 1: Entrepreneurial Entry

As mentioned, scholars have begun to offer overconfidence and narcissism as useful constructs to explain why individuals self-select into entrepreneurship, particularly in light of high rates of venture failure (Cassar, 2010; Cassar & Friedman, 2009; Hayward et al., 2006). We expand on this work in two ways in the first stage of our model. One is to explain entrepreneurial entry into alternative venture contexts. The second is to attend to both the cognitive perceptions and behavioral motivations of entrepreneurs in this process. By entrepreneurial entry, we refer to formalized efforts to generate and harvest value in new ways. Our focus is on the pursuit of opportunities through the establishment of new ventures. However, we expect our conceptualization to extend naturally to opportunities pursued outside of formal organizational settings (e.g., individual initiatives) or within preexisting ones (e.g., intrapreneurship). Across these multiple possible modes, entrepreneurial entry shares the common feature of being a function of the opportunities that entrepreneurs perceive and—from among this set of perceived opportunities—the opportunities they are motivated to *pursue*.

**Opportunities perceived.** Opportunities refer to "situations in which new goods, services, raw materials, markets, and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships" (Eckhardt & Shane, 2003: 336). And while situations like these can stem from very real political, regulatory, technological, demographic, and social changes (Shane & Khurana, 2003), opportunities are not objective realities waiting to be discovered. Rather, they arise

from entrepreneurs' different and subjective beliefs about their ability to create and harvest value from the competitive imperfections they perceive. A common factor underlying such opportunity perception differences is entrepreneurs' prior knowledge and experience. Shane (2000), for instance, showed how the prior knowledge and experience of eight entrepreneurs led them to perceive very different opportunities associated with the same invention. Other research has emphasized that entrepreneurs are "products" of their prior organizations, where the opportunities they perceive flow from the knowledge and experience gained in their workplace (Audia & Rider, 2005). Although research of this kind has usefully linked prior knowledge and experience to the type (e.g., industry-specific) of opportunities that entrepreneurs perceive, it says little about the novelty of such opportunity perceptions. For this distinction we contend that entrepreneurs' overconfidence plays a more direct role.

Overconfidence expands the frontier of opportunities that entrepreneurs perceive as possible, with effects that are independent of and separable from the industry-specific or functional nature of individuals' prior knowledge and experience. As Li and Tang explain, overconfidence "encourages decision makers to overestimate their own problem-solving capabilities (Camerer & Lovallo, 1999), underestimate the resource requirements of their initiatives (Camerer & Lovallo, 1999), and underestimate the uncertainties facing their [potential] firms" (2010: 45-46). For instance, Badr Jafar—a serial entrepreneur who launched several ventures in the fashion, property development, and aviation domains—lamented that the success of his first venture was "unlucky" in many ways, leading him to become too confident and overlook key details when assessing the potential of his next two ventures: "This [success] gave me an almost unjustified confidence boost and made me think I could turn my hand to anything" (quoted in King, 2014). The cognitive bias of overconfidence suppresses attention to factors that might call into question the viability of potential opportunities, leading entrepreneurs who are high in this quality to perceive opportunities to exist where other, less confident entrepreneurs do not.

And while the above logic conveys a general relationship between high levels of overconfidence and entrepreneurs' opportunity perceptions, these effects are inextricably connected to the amount of uncertainty that entrepreneurs must bear in alternative venture contexts. This linkage stems from

the basic nature of overconfidence bias, which is exacerbated in the presence of uncertainty (e.g., Hayward et al., 2006; Malmendier & Tate, 2008). In familiar contexts, where useful information is readily available to gauge the viability of possible opportunities, the potential for biased judgments is attenuated. In such settings overconfidence should have only limited bearing on the opportunities that entrepreneurs perceive. In contrast, in novel contexts, where useful information is less readily available to gauge the viability of possible opportunities, the potential for biased judgments is amplified. In such settings overconfidence is likely to have a positive and significant effect on the frontier of opportunities that entrepreneurs perceive. Overall, these ideas lead us to propose the following,

*Proposition 1: Overconfidence positively influences the perception of opportunities in novel venture contexts.*<sup>5</sup>

**Opportunities pursued.** By expanding the frontier of opportunities that entrepreneurs perceive as viable, overconfidence provides an important enabling condition for entrepreneurial entry into novel venture contexts. However, mechanisms of overconfidence have only limited influence on entrepreneurs' motivation to actually choose novel contexts over familiar ones in their venture pursuits. Indeed, overconfident entrepreneurs may feel equally strong about their potential for success in both such settings. Here narcissism helps to inform these behavioral expectations. Entrepreneurs with narcissistic tendencies exhibit an "overbearing sense of grandiosity, need for admiration, and self-absorption" (Hayward et al., 2006; Nisbett & Ross, 1980), prompting them to continually seek out opportunities where their narcissistic desires can be satisfied. As Chatterjee and Hambrick explain, narcissistic individuals are rarely "settled" in nature:

A little appreciated aspect of the narcissist's craving for admiration is that it is continuous (Morf, Weir, & Davidov, 2000). Morf and Rhodewalt (2001: 177), for example, referred to the narcissist's

"chronic goal of obtaining continuous external self-affirmation." Thus the narcissist requires a steady stream of self-image reinforcement, not just delayed recognition (2007: 354).

An ongoing craving for admiration can lead narcissists to continually seek out "the next big thing," even when their current situation is favorable. In patterns consistent with these ideas, history has witnessed a host of prominent executives leaving their established firms to pursue novel start-up opportunities during the internet boom. Examples include top executives from Hasbro, Citigroup, and Anderson Consulting leaving their firms to lead eBay, Priceline, and Webvan, respectively. Despite having enviable jobs, each of these executives was drawn to the allure of the opportunities in this pioneering, potentially ego-satisfying space.

Consistent with these anecdotes, prior empirical work has revealed positive relationships between narcissism and the pursuit of novel innovations (Galasso & Simcoe, 2011; Tang, Li, & Yang, 2012), dynamic strategies (Chatterjee & Hambrick, 2007), discontinuous technologies (Gerstner, König, Enders, & Hambrick, 2013), and pioneering products (Simon & Houghton, 2003).<sup>6</sup> These ideas indicate that narcissism helps to inform the choice of entrepreneurs' opportunity pursuits, pushing more narcissistic entrepreneurs toward the type of novel venture contexts that can address their need for grandiosity and admiration and, correspondingly, away from the type of familiar venture contexts where these needs will fester or be made worse.

*Proposition 2: Narcissism positively influences the pursuit of opportunities in novel venture contexts.*

**Joint effects.** Our previous propositions speak to the independent influence of overconfidence and narcissism on entrepreneurial entry. Here we highlight their joint interactive effect, which should be particularly influential in propelling entrepreneurs toward novel venture contexts and away from familiar ones. Whereas overconfidence influences the type of opportunities that entrepreneurs perceive, giving them a heightened belief in their ability to be successful in novel opportunity pursuits, narcissism influences the type of opportunities that entrepreneurs pursue, pushing them

<sup>5</sup> While we expect overconfidence to positively influence opportunity perception in both novel and familiar venture contexts—since both of these settings embody a level of uncertainty that could trigger the theorized effects—we expect the effects of overconfidence on opportunity perceptions to be most significant in novel venture contexts, where this cognitive bias is exacerbated. Such logic is reflected in the emphasis of our propositions.

<sup>6</sup> The measures used in these studies indicate that the focal executives may have been driven by narcissism alone, or by a combination of both overconfidence and narcissism.



toward novel venture contexts, where their efforts are subject to praise, and away from familiar venture contexts, where such an outcome is unlikely. Encapsulating these combined effects, we propose the following.

*Proposition 3: When entrepreneurs have high levels of both overconfidence and narcissism, their entrepreneurial entry will tend to occur in novel rather than familiar venture contexts.*

## Stage 2: Successful Opportunity Realization

As important as mechanisms of overconfidence and narcissism are in explaining differences in how entrepreneurs perceive and pursue opportunities, they may be equally important in explaining the alternative courses of action entrepreneurs consider when enacting those opportunities, the latter of which has direct bearing on successful opportunity realization. Enactment describes “how the behavior of an actor creates the environment within which that actor behaves” (Alvarez, Barney, & Anderson, 2013: 307; also see Weick, 1979). Successful opportunity realization occurs when entrepreneurs enact their proposed product or service offerings in ways consistent with their original vision, ultimately becoming “part of the socially constructed reality of the society in which the entrepreneur lives” (Alvarez et al., 2013).

We consider entrepreneurs’ efforts to commercialize their anticipated product or service offerings to be a central facet of opportunity enactment. Such efforts entail “the process of acquiring ideas, augmenting them with complementary knowledge, developing and manufacturing saleable goods, and selling the goods in a market” (Mitchell & Singh, 1996: 170). Critical to this process are the learning routines that influence the alternative courses of action entrepreneurs consider. As we elaborate below, such routines must not only align with the demands of alternative venture contexts but also be compatible with the cognitive and behavioral qualities of the entrepreneurs who would engage in them.

**Novel venture contexts.** In novel venture contexts, the pathways to successful opportunity realization are foggy at best. Success in such settings often requires entrepreneurs to either substantively “pivot” (Blank, 2013; Ries, 2011) or radically transform how they enact opportunities in response to ongoing and unforeseen changes in their environment.

Rindova and Kotha (2001) showed, for instance, that the leaders of Yahoo! and Excite needed to continuously morph how they enacted the opportunities they perceived—in function, form, and competitive positioning—as the two internet start-ups evolved from search engines into content destinations and, ultimately, into interactive service providers during the turbulent internet environment of the mid to late 1990s. Indeed, such novel contexts can pose particularly stringent requirements for adaptation, as Shimizu and Hitt elaborate:

In a highly uncertain and changing environment, managers need to have the strategic flexibility to respond to problems speedily. Strategic flexibility is the organization’s capability to identify major changes in the external environment, quickly commit resources to new courses of action in response to those changes, and recognize and act promptly when it is time to halt or reverse existing resource commitments (2004: 44).

And yet entrepreneurs’ ability to be nimble and succeed in these uncertain and often turbulent environments depends heavily on their engagement in second-order learning (Lant, Milliken, & Batra, 1992; March, 1991). Second-order learning describes “the search for and exploration of alternative routines, rules, technologies, goals, and purposes, rather than merely learning how to perform current routines more efficiently” (Lant et al., 1992: 49-50). It requires entrepreneurs to view the commercialization prospects of their proposed product and service offerings as inherently fluid in nature and, thus, in ongoing need of experimentation and creation (Alvarez & Barney, 2007, 2013; Sarasvathy, 2001). It also requires entrepreneurs to recognize that “certain experiences cannot be interpreted within the current belief system, theory-in-use (Brown, 1978; Pfeffer, 1981) or organizational paradigm (Argyris & Schon, 1978)” (Lant et al., 1992: 50). Importantly, while not all entrepreneurs may be equally adept at second-order learning, their failure to do so effectively may inhibit the ongoing adaptation and change required for success in novel venture contexts.

*Second-order learning: Cognitive barriers.* An important cognitive barrier to second-order learning is entrepreneurs’ level of overconfidence, which affects not only the set of opportunities entrepreneurs perceive, as mentioned earlier, but also how narrowly they consider and accept alternative avenues for opportunity enactment. Overconfidence leads entrepreneurs to overlook or ignore or new

information that could alter their original views (De Carolis & Saporito, 2006; Nickerson, 1998), particularly in the type of uncertain environments where this bias is most pronounced (e.g., Hayward et al., 2006). Consider, for instance, the “irrational exuberance” that dot-com entrepreneurs (and investors) exhibited during the internet boom, in which their unwavering beliefs about the potential for e-commerce to revolutionize business led them to overlook or ignore repeated warnings of bubble conditions and overpriced valuations, including those from Federal Reserve Chairman Alan Greenspan. Another example is the failure of solar energy upstart Solyndra; former employees recounted how the venture’s founder and CEO, Chris Gronet, “fell dangerously in love with a solar technology that was costly and had limited commercial appeal” (Hull & Johnson, 2011: 1). As one employee explained:

Chris is basically a decent guy, but he’s like many high achievers in Silicon Valley. . . . There was irrational exuberance about the cylindrical design. One of the most dangerous things business people can do is fall in love with their product. There was a lot of delusional thinking that this product was better than everybody else’s (Hull & Johnson, 2011).

Consistent with these anecdotes, prior research has revealed contingent linkages between facets of overconfidence and new venture performance, with such effects hinged to and negatively exacerbated by the amount of uncertainty in the venture environment (Hmieleski & Baron, 2008). An explanation for these results may lie in the reduced second-order learning of overconfident entrepreneurs, which blocks their consideration of alternative, more appropriate courses of action for their ventures in such settings. Building on these ideas, we propose the following.

*Proposition 4: In novel venture contexts, higher levels of overconfidence will create a cognitive barrier that inhibits second-order learning and, in turn, reduces the likelihood of successful opportunity realization.*

*Second-order learning: Behavioral barriers.* The behavioral rigidities of narcissism also can inhibit an entrepreneur’s engagement in second-order learning, where an unwillingness or inability to accept criticism, view the world in different ways, or confront changing realities leads narcissistic entrepreneurs to rule out alternative courses of action for their ventures (cf. Hayward, Rindova, &

Pollock, 2004; Kroll et al., 2000). Indeed, research has shown that narcissistic executives are less likely than others to respond to objective indicators that suggest the need for them to alter their strategic behavior (Chatterjee & Hambrick, 2011). Ironically, such behavioral rigidities have their origins in the openness and grandiosity of narcissists’ original visions. As Maccoby (2000) explains, the initial praise and support that narcissists are able to garner for their ideas can lead them to subsequently block out any information that disconfirms their original vision or speaks to their fallibility; instead, individuals high in narcissism are inclined to “double-down” on their visions and pursue them in reckless isolation:

Even when people respond positively to a narcissist, there are dangers. . . . as he expands, he listens even less to words of caution and advice. After all, he has been right before, when others had their doubts. Rather than try to persuade those who disagree with him, he feels justified in ignoring them—creating further isolation (Maccoby, 2000: 74).

The above-described behaviors can have stark consequences for ventures led by narcissistic entrepreneurs. As Eisenmann (2013) explains, when narcissists use charisma and riveting rhetoric to inspire others with their vision, they create a decision-making environment for themselves where admitting flaws after the fact and retracting from their original vision become increasingly difficult. Under such scenarios, narcissistic entrepreneurs resort to denials, rationalizations, false attributions, and other ego defense mechanisms that protect their individual psyches at a cost to their ventures (cf. Brown, 1997). Importantly, these behavioral rigidities can be especially consequential in novel venture contexts, where sudden and ongoing change may be common. Consistent with these ideas, Patel and Cooper (2014) show that narcissists were least able to lead the financial recovery of their organizations in the wake of a postrecessionary economic shock, perhaps because of the limited engagement of such leaders, relative to their industry peers, in second-order learning. Building on these ideas, we propose the following.

*Proposition 5: In novel venture contexts, higher levels of narcissism will create a behavioral barrier that inhibits second-order learning and, in turn, reduces the likelihood of successful opportunity realization.*

*Joint effects.* The previous two propositions speak to the independent influence of overconfidence and narcissism on successful opportunity realization in novel venture contexts. Here we highlight their joint interactive effect, which, we expect, will amplify the previously proposed relationships. Whereas overconfidence has a cognitive influence on the alternative courses of action that entrepreneurs consider, inhibiting their awareness of or attention to alternative possibilities, narcissism has a behavioral influence on the courses of action that entrepreneurs consider, emboldening their espousal of or devotion to originally formulated visions, even when better alternatives are apparent. The combined effects engender a “dysfunctional persistence” (Audia, Locke, & Smith, 2000), which hinders the type of exploratory recognition, openness, curiosity, and experimentation associated with second-order learning and which may be vital for successful opportunity realization in novel venture contexts. Encapsulating these ideas, we thus propose the following.

*Proposition 6: In novel venture contexts, higher levels of both overconfidence and narcissism will combine to place especially strong constraints on second-order learning and, in turn, reduce the likelihood of successful opportunity realization.*

**Familiar venture contexts.** In familiar venture contexts, the blueprints for successful opportunity realization are less about generating and adapting to new knowledge than they are about accessing, managing, and acting on knowledge that already exists (Galbraith, 1973). Take, for example, the advice of restaurant entrepreneurs Kenny Lau and Michael Curcio, who emphasize that “planning goes a long way” and that you need to have “your execution and operation strategies down pat” (quoted in Sandlin, 2007) when competing as such ventures. These ideas indicate that the successful realization of opportunities in familiar venture contexts, such as the restaurant industry, may depend heavily on entrepreneurs’ engagement in first-order learning. First-order learning describes “a routine, incremental, conservative process that serves to maintain stable relations and sustain existing rules” (Lant & Mezias, 1992: 49–50). It involves fine-tuning the structures, systems, and processes of an organization to align closely with and support a well-established direction (e.g., Benner & Tushman, 2003; Lant &

Mezias, 1992). Importantly, while not all entrepreneurs are equally adept at engaging in first-order learning, their failure to do so effectively may play an important role in compromising the successful realization of opportunities in familiar venture contexts.

*First-order learning: Cognitive enablers.* A key enabler of first-order learning is overconfidence, which creates a tendency in individuals to limit their information scanning to the knowledge domains most proximate to their original convictions (e.g., Thomas, Clark, & Gioia, 1993; Yang, Park, Wickens, & Helander, 2014). Such constraints can be valuable at times, with the overconfidence of entrepreneurs leading them to sharpen their focus on planned courses of action; to disregard the allure of other, more distracting courses of action; and, more generally, to engage in the type of first-order learning that helps them execute and fine-tune their original visions most effectively. And yet the efficacy of such a learning focus for successful opportunity realization may depend heavily on the uncertainty that entrepreneurs must bear. Unlike in novel venture contexts, where environments are in flux and ex ante beliefs about appropriate courses of action are likely to be invalidated in practice, in familiar venture contexts, the pathways to success are better established, more stable, and less subject to overconfidence bias (e.g., Hayward et al., 2006). Thus, while opportunity enactment in novel venture contexts stands to benefit heavily from the exploratory and experimental nature of second-order learning, as described previously, the demands for opportunity enactment in familiar venture contexts are quite different—calling instead for the type of focused execution that first-order learning supports.

*Proposition 7: In familiar venture contexts, higher levels of overconfidence will provide a cognitive enabler that facilitates first-order learning and, in turn, increases the likelihood of successful opportunity realization.*

*First-order learning: Behavioral enablers.* Narcissism also can have a fundamental yet distinct effect on opportunity enactment in familiar venture contexts. As mentioned previously, narcissism regularly manifests in a heightened behavioral motivation and need for achievement (Hayward & Hambrick, 1997; Hiller & Hambrick, 2005; Li & Tang, 2010). Such aspirations help to ignite the first-order learning that familiar venture contexts require,

where success hinges not on legitimacy alone but also on the potential for new ventures to deviate from existing business concepts in legitimately distinctive ways (Navis & Glynn, 2011). Narcissistic entrepreneurs view imitation of the status quo as unacceptable and are thus compelled to enact otherwise familiar concepts in ways that stand out from the crowd. Such deviance may entail incorporating new twists on old business concepts (e.g., the first fitness studios offering "hot yoga"), for instance, or enacting otherwise familiar business ideas in ways that are more effective than what competitors can match (e.g., fitness studios that relentlessly outperform others owing to scale or scope efficiencies). Fundamentally at play in these dynamics are narcissistic desires to "win" versus to simply survive and endure, as Maccoby explains:

Narcissistic leaders are relentless and ruthless in their pursuit of victory. Games are not games but tests of their survival skills. . . . Organizations led by narcissists are generally characterized by intense internal competition. Their passion to win is marked by both the promise of glory and the primitive danger of extinction (2000: 75–76).

Taken together, these ideas indicate that entrepreneurs high in narcissism may be especially well suited to realize opportunities in familiar venture contexts. In such settings narcissism helps to fuel the relentless pursuit of competitive advantage among entrepreneurs who are high in this quality, compelling them to engage in the type of first-order learning that supports such focused efforts.

*Proposition 8: In familiar venture contexts, higher levels of narcissism will provide a behavioral enabler that facilitates first-order learning and, in turn, increases the likelihood of successful opportunity realization.*

*Joint effects.* The previous two propositions speak to the independent influence of overconfidence and narcissism on successful opportunity realization in familiar venture contexts. Here we highlight their joint interactive effect, which, we expect, will amplify the previously proposed relationships. Whereas overconfidence has a cognitive influence on the alternative courses of action that entrepreneurs consider, prompting the focused execution of a relatively clear, preconceived vision, narcissism has a behavioral influence on the alternative courses of action that entrepreneurs consider, helping to

ensure that they enact opportunities in ways that provide their ventures with distinct advantages over similar firms. Encapsulating these ideas, we therefore propose the following.

*Proposition 9: In familiar venture contexts, higher levels of both overconfidence and narcissism will combine to be especially strong enablers of first-order learning and, in turn, will increase the likelihood of successful opportunity realization.*

Overall, the propositions in our model convey how overconfidence and narcissism work independently and in conjunction with one another to influence entrepreneurial entry and successful opportunity realization. When considered in their entirety, these relationships point to a fundamental paradox whereby entrepreneurs high in overconfidence and narcissism are drawn to the very type of novel venture contexts where their qualities are most detrimental to venture success, and they are repelled from the very type of familiar venture contexts where their qualities may, in fact, facilitate venture success. We expand on these core insights in the discussion that follows and identify the main theoretical and practical implications that stem from them.

## DISCUSSION AND CONCLUSION

Scholars have long sought to understand why accomplished leaders leave their existing organizations to pursue entrepreneurial opportunities. In this article we have offered overconfidence and narcissism as basic answers to this question. However, we have also called attention to the unique insights that these two important constructs afford when their more nuanced implications for opportunity perceptions, pursuits, and successful realization are brought to the fore. Overall, our theorizing points to a paradox in which the forces that underlie overconfident and narcissistic entrepreneurs' entry into particular venture contexts may also inhibit the successful realization of opportunities in those settings. Namely, our propositions indicate that while overconfident and narcissistic individuals will be disproportionately drawn to pursue opportunities in more novel as compared to familiar venture contexts, the influence of those entrepreneurs on successful opportunity realization will only be favorable in the latter context (where they are least likely to reside) and will be detrimental in the former context

(where they are most likely to reside). Our model thus conveys, in colloquial terms, that the “right” people often end up in the “wrong” places, in spite of their natural tendencies’ influence on these entry and opportunity realization dynamics. Thus, while we believe the propositions in our model have stand-alone value, we offer their holistic interplay as the most significant and unique advancement of our article.

Several important theoretical contributions result from this work. For research on overconfidence and narcissism in entrepreneurship, we extend its reach and impact by theorizing how the effects of these two constructs can vary in substantive ways, depending on venture context. In prior entrepreneurship research scholars have begun to establish overconfidence and narcissism as constructs worthy of study, but they have paid less attention to their conditional relevance. Our theorizing highlights the importance of this gap, demonstrating how contextual factors can illuminate fundamental contingencies in how overconfidence and narcissism influence key entrepreneurial outcomes. For questions of entrepreneurial entry, we show how the cognitive and behavioral mechanisms associated with these constructs affect the type of opportunities that entrepreneurs perceive and the contexts in which they pursue them. For questions of opportunity realization, we show how these same cognitive and behavioral mechanisms inform the fit between how entrepreneurs high in overconfidence and narcissism enact opportunities and what is actually required for successful opportunity enactment in alternative contexts. Overall, such insights indicate that future research on overconfidence and narcissism in entrepreneurship stands to benefit from greater attention to the context-specific effects of both constructs.

Related to the above point, we demonstrate the utility of greater attention to the interplay between both cognitive (i.e., what people perceive) and behavioral (i.e., how people act on what they perceive) mechanisms as determinants of key entrepreneurial outcomes. Taking the focal constructs in our study as an example, while scholars have modeled the effects of overconfidence and narcissism separately, rarely have they considered the explanatory effects of both such constructs, and their joint interactions, simultaneously. Yet the cognitive and behavioral mechanisms that underlie these and other constructs often work in tandem to inform outcomes of interest. This is because

the behaviors individuals engage in are naturally bounded by their cognitive perceptions of the world. At the same time, individuals’ perceptions alone are insufficient for explaining how they behave in response to the possibilities they perceive (Petit & Bollaert, 2012). Other factors, such as individual desires and motivations, critically inform these outcomes. Our model demonstrates one way in which such cognitive and behavioral effects can be modeled together.

For research on entrepreneurship, we draw greater attention to the cognitive biases and behavioral tendencies that individuals bring to bear on key entrepreneurial outcomes. Prior work often privileges the more tangible knowledge, skills, and abilities that entrepreneurs introduce to their ventures as determinants of entrepreneurial entry and venture success. These studies suggest that the backgrounds of entrepreneurs predict not only the industry-specific nature of the opportunities they tend to perceive and pursue (Klepper & Sleeper, 2005; Shane, 2000) but also the likelihood the entrepreneurs will be successful in those settings, owing to the capabilities—both technical (Klepper & Simons, 2000) and nontechnical (Chatterji, 2009)—they gain in their prior life experience and transfer into the lifeblood of their new ventures. Yet beyond these conventional, capability-based mechanisms, which shed important light on entrepreneurial outcomes, are important cognitive and behavioral dynamics that fundamentally influence entrepreneurial decisions and actions. Our model highlights how overconfidence and narcissism may be especially consequential in these ways—with general implications for how, and to what effect, entrepreneurs perceive and pursue entrepreneurial opportunities. More generally, our ideas suggest that the relatively high failure rates in entrepreneurship often may have less to do with the inherent nature of entrepreneurial opportunities—or even the knowledge, skills, and capabilities that founders bring to bear on them—and more to do with the underlying biases, motivations, and consequent behaviors of the individuals who pursue them.

For entrepreneurship research more generally, we show how greater attention to venture context, along with the relational linkages across entrepreneurial process stages, can offer unique and potentially powerful theoretical insights. Extant entrepreneurship research has been largely dismissive of how contextual factors inform focal questions in this domain. This oversight is

surprising, given the sharp distinctions that can exist between alternative venture contexts. With a long-valued emphasis on generalizability, scholars have come to view contextual factors as conditions that need to be empirically controlled for, paying less attention to how such differences might help to isolate and inform mechanisms of theoretical interest. This gap remains despite an array of previous calls for greater attention to venture context (Gartner, 1985; Sandberg & Hofer, 1987; Zahra, 2007). As Low and Abrahamson dutifully warned:

Entrepreneurship research has paid insufficient attention to the context in which new businesses are started. Consequently, efforts to identify factors that consistently lead to entrepreneurial success have failed. This is because what works in one context will not necessarily work in another. Even worse, factors that lead to success in one context may lead to failure in another (1997: 435).

We add conceptual rigor to this series of calls by showing how attention to the defining characteristics of alternative venture contexts can reveal richer and more direct linkages between the component mechanisms of focal constructs and their ties to key outcomes than what is possible when these contextual factors are not accounted for. Importantly, this approach helped us to unmask an apparent mismatch between the type of opportunities that entrepreneurs high in overconfidence and narcissism tend to perceive and pursue and those they are best suited to successfully realize. Although our research question led us to focus explicitly on overconfidence and narcissism as focal constructs, we expect the merits of this approach to generalize to a much wider array of scholarly inquiries and constructs.

Our model is not without limitations, many of which stem from the usual need to sacrifice model specificity for generality and parsimony (Weick, 1979). One such limitation pertains to the absence of attention to team dynamics and effects. In our theorizing we were intentionally agnostic to the composition of teams of individuals who may be working together to perceive, pursue, and/or enact entrepreneurial opportunities. Thus, implicit in our model is the expectation that our theorized effects will be amplified in cases where more (or a greater proportion of) overconfident and narcissistic entrepreneurs are involved in opportunity perceptions and pursuits and will be dampened in cases where fewer (or a lesser proportion of) overconfident and narcissistic entrepreneurs are involved. Yet factors such as the size (for reviews see

Carpenter, Geletkanycz, & Sanders, 2004, and Finkelstein & Hambrick, 1996) and compositional experience of entrepreneurial teams (Kazanjian, 1988; Keeley & Roue, 1990; Stuart & Abetti, 1990) may play important roles in amplifying or attenuating the general effects that underlie our proposals. Thus, while we acknowledge this oversimplification, we also correspondingly highlight team-level factors as promising elements to include in future empirical tests or conceptual extensions of our model.

Similarly, to maintain model parsimony and to enhance the model's broader explanatory significance, we chose to focus our conceptualization on the general influence of environmental uncertainty (i.e., as manifested in familiar or novel venture contexts). However, multiple types of uncertainty exist, including that pertaining to changes in the environment (i.e., state uncertainty), the effects of those changes on ventures (i.e., effect uncertainty), or the consequences of particular response choices (i.e., response uncertainty; McKelvie et al., 2011; Milliken, 1987). Each type of uncertainty may have unique implications for our understanding of overconfidence and narcissism and their effects. Similarly, our focus on only one contextual variable—uncertainty—required us to exclude additional contextual variables from our model, including the usual trifecta of environmental dynamism, munificence, and complexity (Baum, Locke, & Smith, 2001; Dess & Beard, 1984; Duncan, 1972). However, the relative presence of additional contextual factors such as these may also usefully inform our model and focal constructs. While the refinement and expansion of these contextual dimensions were beyond the scope of our current conceptualization, we view them as promising avenues to enhance the specificity of our model and its potential impact.

In addition to these natural extensions, which flow directly from the limitations of our theorizing, we also see promising avenues to extend our model into questions of how external audiences—including potential investors, partners, employees, and customers—influence the dynamics of entrepreneurial entry and opportunity realization by entrepreneurs high in overconfidence and narcissism. Until now we have excluded such audiences from explicit consideration in our manuscript in order to maintain a consistent focus on entrepreneurs as our unit of analysis. However, as we elaborate in some detail below, accounting for external audiences may, in fact, reinforce, rather than reduce or remove,

the paradoxical patterns that our model presently reveals.

When entrepreneurs pursue new venture opportunities, they often require additional resources to enact them (e.g., from investors). Garnering such support typically requires entrepreneurs to craft "elaborate fictions of proposed possible future states of existence" that strategically narrate and symbolically sanctify the value of their opportunities to potential investors (Gartner, Bird, & Starr, 1992: 17). Central to these proposals are the people and practices that are tied to the opportunity and that inform investors' value judgments (Martens, Jennings, & Jennings, 2007; Navis & Glynn, 2011). Ultimately, the willingness of investors to supply needed resources to ventures may depend on the extent to which they view the venture's people and practices as coalescing in meaningful ways (Sahlman, 1996). Here entrepreneurs' overconfidence and narcissism may be especially consequential to such appraisals, but in different ways depending on venture context.

For external audiences like investors, the confidence that entrepreneurs exhibit either can project authority and inspire similar confidence (Bodolica & Spraggon, 2011; Rosenthal & Pittinsky, 2006; Shipman & Mumford, 2011) or can be discredited as lacking credibility. The difference in these outcomes lies in resource providers' perceptions of whether the projected confidence is warranted or subject to overconfidence bias. The latter scenario compromises the legitimacy of proposed opportunities and prevents entrepreneurs from garnering the resources needed to enact them. This happens, for instance, when entrepreneurs portray the potential of proposed opportunities with "hockey stick" growth projections, which investors are quick to discredit as unrealistic and lacking credibility (Goetz & Axelrod, 2007). And yet the ability of investors to detect overconfidence differs across alternative venture contexts. In novel venture contexts, where opportunities are more ambiguous and emergent in nature (cf. Gartner, Carter, & Hills, 2003; Sarasvathy, 2001), detecting overconfidence may be particularly difficult. In such settings, rather than discounting entrepreneurs and their ambitious proposals, investors may be more inclined to support them based on the inherent confidence they project.

External audiences also may be positively influenced by entrepreneurs' narcissistic desires for self-validation, which can manifest in exceptional skills at inspiring and attracting followers

(cf. Bass, 1991; Conger, 1991). As Maccoby explains:

Indeed, narcissists are especially gifted in attracting followers, and more often than not, they do so through language. Narcissists believe that words can move mountains and that inspiring speeches can change people. Narcissistic leaders are often skillful orators, and this is one of the talents that makes them so charismatic. Indeed, anyone who has seen narcissists perform can attest to their personal magnetism and their ability to stir enthusiasm among audiences (2000: 74).

Such effects may be especially pronounced in novel venture contexts, where audiences judge messengers and their messages based less on unattainable "truths" and more on their appeal and plausibility, exhibiting a bias toward actors and messages that can remove the discomfort of uncertainty (Navis & Glynn, 2011; Weick, 1979; Zacharakis & Shepherd, 2001). Indeed, Maccoby described Winston Churchill, Charles de Gaulle, Joseph Stalin, and Mao Tse-tung as narcissistic leaders who "inspired people because of their passion and their conviction at a time when people longed for certainty" (2000: 75). These ideas indicate that the communicative skills of narcissistic entrepreneurs, which spawn from their need for self-validation, may be especially useful, in novel venture contexts, in inspiring and influencing the external resource providers on which they rely.

We also see promising opportunities to connect our ideas to the burgeoning stream of research on expert entrepreneurs. This work explains that entrepreneurial expertise is fundamentally about "expertise in uncertainty" (Krueger, 2007; Mitchell, Mitchell, & Mitchell, 2009; Read, Dew, Sarasvathy, Song, & Wiltbank, 2009; Sarasvathy, 2004, 2008). Underlying this premise is the idea that, in uncertain environments, entrepreneurs benefit more from diagnosing available means and their potential applications than from pursuing specific ends and unknowable causal pathways (Sarasvathy, 2001). Entrepreneurial expertise thus stems from an ability to diagnose and respond effectively to the type of ill-structured issues and environments that correspond with the novel venture contexts in our model (cf. Day & Lord, 1992). Given the inherent adaptability of expert entrepreneurs, it seems that entrepreneurs high in overconfidence and narcissism may never qualify as "experts," yet the differences between these classifications may not be so clear-cut, therefore raising interesting research possibilities. For example,

scholars might usefully examine whether and how entrepreneurs high in overconfidence and narcissism can function more like expert entrepreneurs, perhaps directing their rigid yet impassioned attention toward the more certain means, rather than the less certain ends, of venture opportunities. Conversely, scholars might usefully examine whether and when expert entrepreneurs become increasingly overconfident and narcissistic as a function of their expertise and achievements. This line of inquiry essentially gets at the question of whether experts qualify as "once an expert, always an expert," or whether their success and achievements engender tendencies that erode their expertise. We view these and related questions as ripe opportunities for research at the nexus of these two streams.

Finally, our proposals point to important practical implications. One category of these implications involves ways to mitigate the risks that entrepreneurs high in overconfidence and narcissism introduce in novel venture contexts. While the most basic remedy for this issue may be to dissuade the entry of such entrepreneurs into these settings in the first place, we acknowledge that this option may be difficult to achieve through these entrepreneurs directly, given the inherent nature of their biases and motivations. Instead, solutions in this vein may need to focus on the resource providers—such as potential investors, co-founders, and alliance partners—entrepreneurs high in overconfidence and narcissism rely on, thus effectively "blocking" their entry into the type of venture contexts where their personal qualities most hinder success. This outcome may require greater awareness of how to detect overconfidence and narcissism and their potential ramifications. Here stories in the popular press and trade publications could be used to help resource providers better recognize these qualities and their impacts. Conversely, when entrepreneurs high in overconfidence and narcissism are already operating in novel venture contexts, solutions may entail internal governance mechanisms that address such areas as the decision-making processes, formal and informal roles, and cultures within entrepreneurial ventures. For example, Maccoby (2000) suggests that the narcissistic tendencies of leaders might be managed by enlisting a trusted "sidekick," explaining by way of illustration how Sancho Panza, a squire who was very much in touch with reality, regular saved from harm the classic narcissist, Don Quixote, who was not.

The second category of practical implications involves ways to foster the entry of entrepreneurs high in overconfidence and narcissism into familiar venture contexts, where we expect them to have a positive influence on success. Bolstering this type of entry may require careful attention to how the motivations of such entrepreneurs can still be satisfied in familiar venture contexts. Here narcissism may lead such entrepreneurs to find the prospect of "shaking up" a familiar context or defeating the common incumbent "enemies" that inhabit it as especially appealing. Because these possibilities play to narcissistic tendencies, their promotion could channel narcissistic individuals toward the type of familiar venture contexts where their cognitive biases are attenuated and their impassioned behaviors can generate distinct advantages. More fundamentally, should the proposals in our model hold true, then it stands to reason that any actions that reduce the patterns of misalignment our proposals engender should improve not only the success prospects of individual entrepreneurial efforts but also the societal value that such efforts generate.

In closing, this article advances a quintessential Icarus paradox,<sup>7</sup> where entrepreneurs high in overconfidence and narcissism behave like the Greek mythological character Icarus, whose own success ultimately led to his demise. Icarus was given a wax pair of wings and warned to not fly too close to the sun. With his early flying success and the increased confidence and self-pleasure that he derived from it, however, Icarus began to fly higher and higher. Eventually, when Icarus neared the sun, his wings melted, causing him to fall into the sea and perish. The entrepreneurs showcased in our model are not that different from Icarus. Their high levels of confidence and narcissism can propel them toward the same type of novel venture contexts where success is highly jeopardized. And yet these dynamics convey only one part of the paradox. Buried in the story of Icarus, but also present in our story, is the missed opportunity for actors like Icarus and entrepreneurs high in overconfidence and narcissism to thrive elsewhere. For Icarus, this place was the broad spectrum of sky above the sea and below the sun. For entrepreneurs high in overconfidence and narcissism, it is the wide array of opportunities that lie in more familiar venture contexts.

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<sup>7</sup> We thank an anonymous reviewer for pointing out this connection.



Taken together, we hope that our theorizing of this entrepreneurial paradox stimulates and guides future inquiry into the underlying, interrelated, and context-dependent dynamics of overconfidence and narcissism, entrepreneurial entry, and successful opportunity realization.

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