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## A temporal analysis of how entrepreneurial goal intentions, positive fantasies, and action planning affect starting a new venture and when the effects wear off

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### ABSTRACT

The road from intentions to actions and new venture creation is long. So far, the literature has provided insights into action-regulatory factors that contribute to new venture creation. However, the literature has neglected to take into account the temporal dynamics underlying these relationships. We contribute to action-regulation theories in entrepreneurship by theorizing about and investigating how the effects of action-regulatory factors hold over time. We hypothesize that the action-regulatory factors of entrepreneurial goal intentions, positive fantasies, and action planning have combined effects on new venture creation. Furthermore, we hypothesize that these effects become weaker over time. To test our hypotheses, we studied 96 Ugandan entrepreneurs over 30 months. Our results supported our hypotheses. Action planning moderated the effects of entrepreneurial goal intentions and positive fantasies on new venture creation. Furthermore, the effects were significant in the beginning and wore off over time. Our study shows that including a time frame in theoretical models is important to derive valid conclusions from empirical results and to develop more precise theories.

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### 1. Executive summary

Action plays a key role in the new venture creation process (McMullen and Shepherd, 2006). Given the central role of actions, studies have argued that factors which regulate people's actions have an influence on new venture creation (e.g., Frese, 2009).

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However, most of the studies have not considered the temporal dynamics underlying the relationship between action-regulatory factors and new venture creation. We investigate the temporality of the effects of action-regulatory factors on new venture creation. We hypothesize that there are combined effects of action-regulatory factors on new venture creation and that these effects will wear off over time. Specifically, we hypothesize that action planning moderates the effects of entrepreneurial goal intentions and of positive fantasies on new venture creation and that these effects become weaker over time.

Entrepreneurial goal intentions specify what an entrepreneur wants to achieve and capture the effort entrepreneurs are willing to invest (Bird, 1988). Positive fantasies are defined as imagined future events independent of past experiences; positive fantasies drain motivation (Oettingen and Mayer, 2002). Action plans are mental simulations that specify the sub-steps of how to achieve a goal (Frese, 2009). Based on action-regulation theory (Frese, 2009), we hypothesize that action planning moderates the positive effect of entrepreneurial goal intentions and the negative effect of positive fantasies on new venture creation because action planning is important to initiate and maintain goal-oriented behavior. We build on frameworks by Zaheer et al. (1999) and Ancona et al. (2001) to approach the question of the temporal stability of the hypothesized effects. We hypothesize that the effects will wear off for two reasons (Mitchell and James, 2001). First, the longer the lag between measurements of the predictor and outcome variables, the more likely it is that within-person changes will occur. Second, it is more likely that third variables change or come into play. Consequently, the predictive validity of constructs measured at a specific point in time diminishes over time.

We conducted our study over a period of 30 months. Our total sample included 96 entrepreneurs who intended to start a business at the beginning of the study. We collected data at the beginning of the study, after six months, and after 30 months. At the beginning of the study, we measured entrepreneurial goal intentions with five items based on Davidsson and Honig (2003). We measured positive fantasies with four items based on the procedure developed by Oettingen and Mayer (2002). Following Frese et al. (2007), we measured action planning by rating the detailedness of participants' action plans to perform various start-up activities. We used the data collected after six months and 30 months to measure whether and when the participants had started a new venture. To examine how time influences the strength of the effects, we created five spells of six months for each participant (= 30 months). Our data matrix had thus five spells for each of our 96 participants.

Random coefficient modeling provided support for our hypothesized effects. The combined effects of entrepreneurial goal intentions and positive fantasies with action planning on new venture creation were conditional on time. The simple slope analyses revealed that the effects wore off over time. The effect of entrepreneurial goal intentions on new venture creation in case of high action planning was significant in the first 12 months and it became weaker over time. Similarly, the effect of positive fantasies on new venture creation in case of high action planning was significant in the first 10 months and became weaker over time.

Our study contributes to the literature by theorizing about the factor time in entrepreneurship. Including a temporal dimension is essential for making more meaningful and substantial predictions regarding hypothesized effects (Mitchell and James, 2001). We specify how long the combined effects of action-regulatory factors on new venture creation hold and when they wear off. This helps to develop theories about the temporality of the effects of action-regulatory factors on new venture creation. Our study has also practical implications. Forming action plans helps nascent entrepreneurs to be successful in the venture creation process. Furthermore, nascent entrepreneurs should avoid fantasizing positively about their future as a business owner. Nascent entrepreneurs can turn their positive fantasies into binding goals with positive effects on new venture creation by employing methods of mental contrasting (Oettingen et al., 2001).

## 2. Introduction

A key outcome of entrepreneurship is the emergence of new businesses (Gartner, 1985). People who are involved in the process of creating a new business are referred to as nascent entrepreneurs (Reynolds et al., 2005). Focusing on nascent entrepreneurs, previous research has provided interesting insights into the mechanisms that lead to the creation of new businesses. Scholars agree that the actions taken by nascent entrepreneurs are a key factor for succeeding in this process (Baron, 2007; McMullen and Shepherd, 2006). A higher number and distribution of actions over time result in a higher likelihood of creating a new business (Carter et al., 1996; Lichtenstein et al., 2007). Given the central role of actions in entrepreneurship, previous studies have argued and shown that factors which regulate people's actions, such as goal intentions and action planning, have an influence on new venture creation (e.g., Frese, 2009; Kolvareid and Isaksen, 2006).

These studies have greatly contributed to our understanding of nascent entrepreneurship. However, most of the studies have not put a particular focus on the temporal dynamics underlying the relationship between action-regulatory factors and new venture creation (Lichtenstein et al., 2006). This is unfortunate insofar as the emergence of new businesses implies a temporal dimension and the creation of a new business is a dynamic process over a longer period of time (Lichtenstein et al., 2006, 2007). Research suggests that action-regulatory factors have effects on new venture creation (Frese, 2009); however, to develop more precise theoretical models, it is necessary to consider how these effects unfold and hold over time. Accordingly, an important theoretical and empirical question is on the timing of these effects and how long the effects have a functional value (Mitchell and James, 2001; Ployhart and Vandenberg, 2010). Scholars have criticized current research and theories for failing to include such a temporal dimension in their models (Mitchell and James, 2001). Including a temporal dimension is essential for making more meaningful and substantial predictions regarding the hypothesized effects (Mitchell and James, 2001).

We follow this line of reasoning and seek to contribute to the literature by theorizing about and empirically investigating the temporal dynamics of the effects of action-regulatory factors on new venture creation. The general set of action-regulatory factors is

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