ENTREPRENEURS' PERCEIVED CHANCES FOR SUCCESS

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EXECUTIVE SUMMARY

Entrepreneurs involved in planning or starting firms must engage in a continuing process of appraising prospects for success. These assessments presumably bear upon the preparations they make, as well as, at some later point, whether they decide to make major changes or even to discontinue the business. In this study, data from 2994 entrepreneurs who had recently become business owners were analyzed to determine their perceived changes of success.

Although previous evidence on business survival led to the hypothesis that the entrepreneurs would only be cautiously optimistic, this was not the case. They perceived their prospects as very favorable, with 81% seeing odds of 7 out of 10 or better and a remarkable 33% seeing odds of success of 10 out of 10. In considering the prospects for other businesses like their own, they perceived odds which were significantly lower, but still moderately favorable.

Based upon previous research on factors associated with new business success, it was hypothesized that those who were "more likely to succeed" (based upon their personal backgrounds and the nature of their new firms) would be more optimistic. However, this was not the case. Those who were poorly prepared were just as optimistic as those who were well prepared.

At this point, shortly after having become business owners, the assessment by entrepreneurs of their own likelihood of success was dramatically detached from past macro statistics, from perceived prospects for peer businesses, and from characteristics typically associated with higher performing new firms.

The psychological literature on "post-decisional bolstering" suggests that decision makers, in many settings, tend to bolster or exaggerate the attractiveness of an option after it has been chosen. This, coupled with the tendency of entrepreneurs to believe that they can control their own destinies, implies that the extreme optimism observed here is probably a typical occurrence.

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For entrepreneurs the findings suggest that it is probably natural to experience feelings of entrepreneurial euphoria when first becoming a business owner. With the available evidence, it is difficult to judge whether this leads to inadequate preparations or an inability to diagnose problems and make adjustments after the business is started. This extreme optimism probably does contribute to the heavy personal commitments observed here, in which the median entrepreneur devoted more than 60 hours per week to the business. The entrepreneur would seem well advised to form relationships with outsiders, such as board members and professional advisors, who can be objective and detached in diagnosing problems and assessing objectively the prospects for the business in its current form.

INTRODUCTION

When an entrepreneur starts or buys a business, many would perceive this to be a risky undertaking. The entrepreneur appears to have much at stake—capital, long hours invested, reputation, and foregone opportunities. Yet, despite the combination of having much to lose and the apparent poor chances for success, more than 50,000 new corporations are established every month. In addition, many other entrepreneurs start unincorporated businesses or purchase existing firms.

This paper examines how entrepreneurs perceive their chances for success shortly after they have become business owners. Do they see themselves as undertaking risky ventures, with marginal prospects, or are they confident that, come what may, they will succeed? What do they perceive as the chances for success for other businesses like theirs? Does degree of optimism relate (in a rational manner) to the nature of their businesses or to factors which previous research suggests might be associated with success?

Consideration of these questions should allow us to assess the degree of objectivity exercised by entrepreneurs in rating their own potential for success. To the degree that entrepreneurs grossly misjudge their prospects or have evaluations totally unrelated to success factors demonstrated in prior research, they may operate under suboptimal biases. If there is overoptimism, entrepreneurs may underestimate the difficulties associated with their businesses, thus failing to make the necessary preparations, e.g., larger capital bases, income from other sources, lines of credit, or adequate marketing expenditures. They may further find it difficult to recognize problem areas, to make major changes, or to appraise objectively whether to continue to make commitments. If entrepreneurs are unduly pessimistic, then short-term problems may dominate their perspectives and reduce inclinations to stay with their firms through the start-up difficulties. Hence, by examining how entrepreneurs perceive their prospects, we should increase our understanding of entrepreneurial thinking and of the processes leading to the formation and development of new firms. This should alert both entrepreneurs and those who work with them to biases which may develop. It may enable them to bring more objective thinking to bear about whether their preparation and early progress are likely to lead to success or whether major changes are necessary.

PREVIOUS RESEARCH AND HYPOTHESES

To the best of our knowledge, there has been no systematic previous examination of how entrepreneurs perceive their chances for success.

However, there has been research on factors that we might expect to influence these perceptions. This would include research on the historic survival experience and success of new firms. Presumably, if the actual success rate for new firms is low or high, entrepreneurs

might sense this and adjust their assessments for their own businesses accordingly. There has also been research examining relationships between characteristics of entrepreneurs and the later performance of their firms. These relationships, if recognized, might lead entrepreneurs to take into account their own preparation and characteristics in judging whether prospects for their firms are favorable or unfavorable.

Past studies of business survival suggest poor prospects for long-term survival for most new businesses. (Some specialized groups, such as high-technology firms, appear to have much higher likelihood of success.) Shapero and Giglierano in 1982 reported on 13 previous studies of discontinuance rates for new firms or the population of existing firms. One of the largest was a U.S. Department of Commerce study of all operating businesses started or transferred to new ownership during the eight years ending in 1954 (Churchill 1955). It reported 46% discontinuing or changing hands within 1.5 years and 71% within 4.5 years. The most frequently quoted study is that by Dun and Bradstreet, which reported that 67% of new businesses discontinue within four years (Dun and Bradstreet 1967). A number of focused studies, examining firms in specific industries and locations, have found discontinuance rates for nontechnical firms ranging from 50% after two years to 35% after three years (Shapero and Giglierano 1982). However, Shapero and Giglierano, tracking firms through telephone company Yellow Pages, found somewhat lower discontinuance rates—34% after two years and 50% after five years.

Variations in findings appear to reflect two factors. One is the sample of firms examined, whether it is a cross section of all firms or a less diverse group such as manufacturing or high-technology firms. Of particular importance is whether the sample is of new firms or a cross section of established, more seasoned companies. A second point of difference relates to the definition of "discontinued." Many firms are sold, moved, or changed (merged, name changed, etc.). These changes complicate the question of determining whether "a business" has survived.

Even while recognizing these problems of sample selection and measurement, it appears that 34%–50% of businesses discontinue or change hands after two years, with 50%–71% meeting similar fates after five years. These numerous studies suggest that, at best, less than 50% of businesses survive for more than five years with a given owner/manager. In the light of such historic experience, we might expect entrepreneurs who think objectively and rationally about their prospects to be cautiously optimistic and to assign at best an average probability of 0.5 when evaluating their potential for success. This leads to our first hypothesis.

Hypothesis 1 The entrepreneurs' perceived odds of success will be less than or equal to 0.5.

A corollary of the above hypothesis is the expectation that entrepreneurs would perceive their own odds to be about the same as those who are in similar businesses. While some firms are better prepared and others less so, on average, the entrepreneurs should have the same prospects as those in similar businesses. If their perceptions of odds for success are based primarily on objective considerations, then entrepreneurs' odds of success should not deviate significantly from those assigned to their peer groups. Thus, the second hypothesis states:

Hypothesis 2 The entrepreneurs' perceived odds of success for their own businesses will not differ significantly from the odds assigned to businesses similar to their own.

Research on the relationship between entrepreneurial characteristics and new business success has been spotty, with relatively few studies that build upon each other. Probably most relevant have been several longitudinal studies following firms through time, which identified factors associated with survival and success.

A number of longitudinal studies of manufacturing and high-technology start-ups suggest that teams tend to be more successful than single founders (Hoad and Rosko 1964; Roberts 1972; Cooper and Bruno 1977). Multiple founders usually have a broader base of skills and experience and are also able to give one another psychological support. In regard to education and industry experience, a study of 95 new manufacturing firms found that the combination of education (one or more years in college) and prior industry experience was associated with the greatest success. Education or experience alone was better than the combination of inexperience and little education. Surprisingly, researchers found that the entrepreneur's prior experience might be in managerial or nonmanagerial work with equal benefit to the firm. However, a variety of experience seemed to correlate with greater success (Hoad and Rosko 1964). A study of the founders of 81 Rhode Island retail and service establishments revealed similar findings about the role of education, but contrasting findings about experience. For these entrepreneurs, less than 10% of whom had completed college, greater education was associated with success. Yet, those who had previously worked in the same industry were not more successful. Prior experience as an owner, however, led to a higher success rate (Mayer and Goldstein 1961). A broad cross-sectional study of 1805 business owners found that those with at least some college as well as those with supervisory experience had achieved more growth than their counterparts with less education or experience (Dunkelberg and Cooper 1982).

For high-technology firms, founders who had previously worked in an organization utilizing similar technology and serving similar markets tended to be more successful (Roberts 1972; Cooper and Bruno 1977). In a broad cross section of firms, greater growth was achieved by those that offered the same products or services as in their previous organizations (Dunkelberg and Cooper, 1982). Interestingly, entrepreneurs who had spun off from larger organizations (more than 500 employees) also did better (Cooper and Bruno 1977).

Success also seems to be related to the amount of initial capital; firms that have more initial capital tend to be more successful (Mayer and Goldstein 1961; Lamont 1972; Roberts 1972). Presumably, the greater capital gives the new firm a longer period in which to work out its problems and survive. The ability to raise a large amount of initial capital may also reflect a more impressive strategy and management team.

The overall pattern of relationships is consistent with conventional wisdom. Despite some mixed findings, success generally attended those entrepreneurs who were involved in a founding team, who had education and relevant experience, who had owned previous businesses, who started businesses similar to those they had left, who came from large firms, and who had more initial capital. These findings suggest that entrepreneurs who have these characteristics would be better prepared, more likely to succeed, and possibly more optimistic. In view of the above, we hypothesize that:

Hypothesis 3 Entrepreneurs' perceived odds of success would be positively related to the factors as listed in Table 1.

RESEARCH DESIGN

The hypotheses listed above will be tested using data from what we believe to be the largest and most diverse sample of small business owners studied to date. A survey was administered

TABLE 1 Characteristics Associated with High-Performing New and Small Businesses

Factors	Hypothesized Direction of Influence on Perceived Odds of Success	Measurement
Number of partners (NP)	+	*n* = number of partners
College education (CE)	+	0 = high school or less
		1 = more than high school
Business experience (BE)	+	0 = worked for non-profit or not in labor force
		1 = worked for a business
Prior ownership (PO)	+	0 = had not owned a business
		1 = had previously owned a business
Prior supervisory experience (SE)	+	0 = no subordinates previously
		1 = had supervised workers or managers
Same or similar customers as prior employer (SC)	+	0 = different customers than prior employer
		1 = same or similar customers as prior employer
Same or similar products or services as prior employer (SP)	+	0 = different products/services than prior employer
		1 = same or similar products/services as prior employer
Size of prior employer (S)	+	0 = less than 100 employees
		1 = 100 or more employees
Initial capital (IC)	+	1 = less than $5000
		2 = $5,000–$19,999
		3 = $20,000–$99,999
		4 = $100,000 or more

Parenthesized abbreviations are used in text.

in the spring of 1985 to members of The National Federation of Independent Business (NFIB) who reported that they had recently become owners of businesses.[1]

A total of 2994 entrepreneurs (Table 2) who had become owners (primarily through start-up or purchase) in 1984 and 1985 were selected from an initial sample of 4814 businesses. With this sample, the median entrepreneur had been in business for 12 months. The interquartile range was 8–15 months. All of the businesses in the sample were underway and had experienced some feedback from the marketplace. However, the firms had not really been tested over time and some may have been surviving on their initial capital. Of course, perceptions of chances for success may change over time and with experience. With this in mind, we shall later examine whether entrepreneurs' perceived odds of success vary with months in business.

The sample is described more fully in Table 2. It seems broadly representative of small business in the United States, with entrepreneurs from virtually all industries and parts of the country. As noted, about 64% of these entrepreneurs became owners through starting their firms and about 30% through purchase.

[1]The NFIB has over half a million member firms. Based upon census and other government data, the membership is reasonably representative of the population of small business in terms of industry, legal forms of organization, and employment. Average NFIB employment does tend to be somewhat larger.

TABLE 2 Sample Characteristics

Characteristic	Percent
Industry	
Construction	7
Manufacturing and mining	8
Transportation and communication	2
Wholesale	4
Retail	46
Agriculture	2
Financial	5
Service	19
Professional	5
Other or unknown	1
Number of Employees[a]	
0 or no answer	3
0.1–2.4	39
2.5–4.4	29
4.5–9.4	19
Over 9.4	10
How Became Owner	
Started	64
Purchased	30
Inherited	2
Other	4

All entrepreneurs (n = 2994) became owners in 1984 or 1985. Data were gathered in May 1985.
[a]Number of full-time + 0.5 × number of part-time employees.

It should be noted that this sample of entrepreneurs had substantial stakes in their ventures. For the sample, 67% invested $10,000 or more and 51% invested $20,000 or more. Their investment of time was particularly noteworthy. The median entrepreneur reported devoting 60 hours or more per week to the venture and 75% reported a work week of 50 hours or more. It is clear from these profiles of commitment that these entrepreneurs had major stakes in their ventures. These were not investments "on the side," like lottery tickets, which, if lost, could be easily absorbed. Thus, there were incentives for the entrepreneurs to assess with care their chances for success.

Against this backdrop of heavy commitments, the entrepreneurs were asked, "What are the odds of *your business* succeeding?" They were given 11 choices, ranging from 0 chances in 10 to 10 in 10. Similarly, they were asked, "What are the odds of *any business like yours* succeeding?" These two measures labeled *Oddyours* and *Oddlike*, as well as other variables measuring the success factors listed in Table 1, were used to test the hypotheses. These are operationalized in the following manner:

Hypothesis 1 Oddyours $\leq$ 5.0,

Hypothesis 2 Oddyours − Oddlike = 0.0,

Hypothesis 3 a. Oddyours = F (NP, CE, BE, PO, SE, SC, SP, S, IC)
b. Oddyours − Oddlike = F (NP, CE, BE, PO, SE, SC, SP, S, IC)

TABLE 3 Odds of Your Business Succeeding

Odds	Percent
0 out of 10	[a]
1 out of 10	1
2 out of 10	1
3 out of 10	1
4 out of 10	1
5 out of 10	10
6 out of 10	4
7 out of 10	9
8 out of 10	19
9 out of 10	20
10 out of 10	33

Mean = 8.1 out of 10. $\alpha = 0.000$.
[a]Less than 0.5%.

RESULTS

The results for the entrepreneurs' perceptions of their own odds for success display a noteworthy degree of optimism. As shown in Table 3, 95% perceived odds of success of 5 out of 10 or better, and 81% odds of 7 out of 10 or better. A remarkable 33% perceived their chances as "dead certain," 10 out of 10. The mean value was 8.1. This is substantially and significantly more than the hypothesized value of 5.0 or less ($\alpha = 0.000$). We reject the first hypothesis that entrepreneurs would perceive their own odds to be less than or equal to 5.0 out of 10.0.

The results when entrepreneurs were asked, "What are the odds of *any business like yours succeeding?*" are shown in Table 4. Of the entrepreneurs, 78% perceived these odds as 5 out of 10 or better and 39% perceived odds of 7 out of 10 or better. The mean value of 5.9 is substantially and significantly less than the value of 8.1 which the entrepreneurs saw as their own odds for success ($\alpha = 0.000$). We reject the second hypothesis that entrepreneurs would perceive their own odds as not significantly different from those assigned to similar businesses.

TABLE 4 The Odds of Any Business Like Yours Succeeding

Odds	Percent
0 out of 10	[a]
1 out of 10	3
2 out of 10	6
3 out of 10	7
4 out of 10	6
5 out of 10	30
6 out of 10	9
7 out of 10	11
8 out of 10	12
9 out of 10	5
10 out of 10	11

Mean = 5.9 out of 10. $\alpha = 0.000$.
[a]Less than 0.5%.

TABLE 5 Odds of Success for Your Business Versus Any Business Like Yours

Your odds poorer than any business like yours	5%
Your odds the same as any business like yours	27%
Your odds better than any business like yours	68%

A comparison of their own prospects for success with those for others in the same kind of business is revealing (see Table 5). Only 5% perceived their own chances as poorer than for others in the same business. About 27% saw their chances as exactly the same as others, and 68% perceived their odds for success as better than others. The cross-tabulations are shown in Table 6.

We now consider whether entrepreneurs' perceptions of their own prospects are relelated to objective predictors of success. As noted earlier, previous research has identified a number of factors related to the background of the entrepreneur or the nature of the new business which seem associated with success.

Two dependent variables were available for analysis: first, the entrepreneur's probabilistic assessment of success on a scale of 0 to 10 (Oddyours). The second measure compares perceived chances of success for the entrepreneur's own firm to those of similar businesses. This measure is constructed by forming a simple difference between the firm's own odds of success and the odds for similar firms (Difodd). Thus, an objective assessment of 7 (out

TABLE 6 Cross-tabulation of Odds of Success for Your Business Versus Any Business Like Yours

Odds of success of any business like yours	Odds of success for your business[a]											
	0	1	2	3	4	5	6	7	8	9	10	%
0	3	0	0	0	0	0	0	1	0	0	4	[b]
1	2	19	3	4	2	12	4	9	9	11	20	3
2	1	7	12	4	4	20	10	21	25	22	35	6
3	0	5	5	14	3	22	14	30	36	29	44	7
4	2	1	1	2	10	10	15	29	48	22	22	6
5	3	3	6	5	4	187	31	83	202	153	183	30
6	0	0	1	1	5	6	28	23	60	60	58	9
7	0	1	2	3	2	10	5	52	53	102	97	11
8	1	1	2	0	2	5	3	7	98	95	129	12
9	0	0	0	0	0	1	0	5	9	65	73	5
10	1	1	0	0	1	4	1	2	6	5	280	11
Cumulative percent	[b]	1	1	1	1	10	4	9	19	20	33	

Not including 139 entrepreneurs who gave no response to one or both questions. Mean (Oddyours − Oddlike) = 2.20. $\alpha = 0.000$.

[a]Odds of success out of 10 chances, e.g., 1 out of 10.

[b]Less than 0.5%.

TABLE 7 Odds of Success as a Function of Entrepreneur Background and Nature of Business

Factor	Dependent variables	
	Oddyours	Difodd
Number of partners (NP)	0.04[a]	0.09
	(0.91)[b]	(3.22)
College education (CE)	0.19*	0.36**
	(5.17)	(14.62)
Business experience (BE)	0.06	0.46**
	(.21)	(8.83)
Prior ownership (PO)	0.24	0.18
	(3.70)	(1.68)
Prior supervisory experience (SE)	−0.01	0.34**
	(0.009)	(9.55)
Same or similar customers as prior employer (SC)	0.13	0.02
	(1.73)	(0.04)
Same or similar products or services as prior employer (SP)	0.12	0.08
	(1.56)	(.47)
Size of prior employer (S)	0.07	−0.11
	(.51)	(1.05)
Initial capital (IC)	0.07**	0.03
	(9.97)	(1.04)
R^2	0.01	0.02
Significance	0.000	0.000

[a]Beta coefficient.
[b]F-value.
*Significant at $\alpha = 0.05$; **Significant at $\alpha = 0.01$.

of 10) might be optimistic or pessimistic depending on whether the entrepreneur feels that the odds of success for others is 7 in 10 (a difference of 0) or only 3 in 10 (a difference of 4). Essentially, this is a measure of whether the entrepreneur perceives his or her chances for success to be substantially better or poorer than those for similar firms.

Regression analyses were performed, using the "objective predictors" as independent variables and using each of the measures of expected success discussed above as dependent variables. Results are shown in Table 7.

The first analysis, that involving only the entrepreneurs' probabilistic assessments of success (Oddyours), produced disappointing results. It explained little of the variation in odds, with a R^2 of only 0.01.

The second analysis used the dependent variable derived from the difference between the entrepreneur's perceived chances of success and the perceived chances of success for similar businesses (Difodd). The resulting analysis, shown in Table 7, again exhibited a lack of systematic relationships between objective predictors and this measure of optimism. Despite the large sample size, most variables were not significant and the R^2 was only 0.02. Those who were poorly prepared seemed just as optimistic as those who were well prepared. It is clear that we must reject the hypothesis that perceived odds of success are related to the "objective predictors" of success listed in Table 1.

Since the sample firms had been in business for varying amounts of time, we examined whether degree of optimism was related to months in business. One might have expected that entrepreneurs with older, more "seasoned" businesses would be more optimistic. Pre-

sumably, their firms had demonstrated the ability to survive over time. However, examination of odds for success by months in business showed no significant differences. Those who had just started their firms were just as optimistic as those who had been in business 16 months or more.

DISCUSSION

In this, the first systematic examination of how entrepreneurs perceive their chances for success, several findings seem clear:

1. Entrepreneurs who have already made the commitment to become business owners display a remarkable degree of optimism. Most see their own odds for success as extremely high, far higher than would seem justified by the historic experience of new firms.
2. Entrepreneurs perceive their prospects for success as substantially better than those for similar businesses.
3. Entrepreneurs' perceptions of their own chances for success do not seem to be systematically related to factors which previous research suggests might be associated with success.

Clearly, the assessment by entrepreneurs of their own likelihood of success is dramatically detached from past macro statistics, perceived likelihood of the peer group, and characteristics typically associated with higher-performing new businesses. The proposed model, one based on rational, objective evaluation of relevant factors totally fails to account for the perceptions of new business owners. To understand the observed extreme bias toward optimism, we turn to an alternative perspective outside of the rational framework for possible explanations. The psychological literature on post-decisional bolstering and on the psychological characteristics of entrepreneurs offers insights.

The theory of cognitive dissonance leads to the expectation that decision makers will bolster or exaggerate the attractiveness of an option after it has been chosen (Abelson and Levi 1985, p. 276). In field experiments conducted in real-life settings, a high degree of post-decisional bolstering has been observed as people made choices regarding jobs, candidates in a political campaign, or betting in a horse race. Thus, entrepreneurs who have already made the decision to start a business may express optimism as an example of "activity (that) involves developing new defensive attitudes and rationalizations that enable the decision maker to recommit himself" (Janis and Mann 1977, p. 317). These considerations would account for the high degree of optimism among entrepreneurs who have made substantial commitments.

The psychological makeup of entrepreneurs may also have played a role. There has been research on entrepreneurs' propensity to take risks. (External observers might perceive entrepreneurs to be undertaking ventures in which the probability of success seems low and might thereby conclude that entrepreneurs have a high propensity to take risks.) McClelland noted that in a variety of laboratory tests individuals who perform well in an entrepreneurial role have demonstrated a preference for tasks in which the risks are moderate and their efforts or skills can make a difference (McClelland 1961). Furthermore, Brockhaus, reviewing the literature on entrepreneurial risk-taking, found that most of the empirical evidence suggested that entrepreneurs are only moderate risk-takers (Brockhaus 1982). Entrepreneurs have also often been found to have high levels of internal locus-of-control beliefs, meaning that they believe they can control their own destinies. Brockhaus has commented on this characteristic as it relates to entrepreneurial expectations, "Entrepreneurs have such a high

belief in their ability to influence the achievement of business goals that the perceived possibility of failure is relatively low" (Brockhaus 1986, p. 29). The findings presented here are clearly consistent with the previous research on these entrepreneurial characteristics.

It may seem particularly surprising that those who were well prepared and those who were poorly prepared seemed equally optimistic. It may be that entrepreneurs, at least at this stage of their commitment, are unable to assess objectively their own strengths and weaknesses and the early progress of their firms. If so, this would raise serious questions about their ability to diagnose problems, make adjustments, and make objective assessments about whether to continue their heavy personal commitments. It may also be that the psychological process of postdecisional bolstering has an overwhelming effect as entrepreneurs make these assessments. All entrepreneurs, whether well prepared or not, may experience "entrepreneurial euphoria," in which they feel they must succeed and then assess their odds accordingly.

What are the implications of these findings? For scholars, they add to our understanding of the processes leading to the formation and development of new firms. Furthermore, the findings seem consistent with earlier research on "risk-taking propensity" and "locus-of-control" characteristics of entrepreneurs. We should further note that the sample considered here is a broad cross section of small businesses, with many of the retail and service firms noted for high rates of discontinuance. These optimistic entrepreneurs were not concentrated in the segments of the economy noted for long business lives.

For entrepreneurs the findings suggest that it is probably natural to experience feelings of entrepreneurial euphoria when first becoming a business owner. With the available evidence, it is difficult to judge whether this leads to making inadequate preparations or overlooking potential problems. We can note that the median firm started with an investment of slightly more than $20,000. While this is not a trivial investment, it probably provides little cushion for unexpected problems which might arise. This may mean that the overwhelming optimism observed here is often associated with thin capitalization and thus an inability to survive unexpected problems. Extreme optimism may also make it difficult for the entrepreneur to diagnose problem areas, to redirect the venture, or possibly to close it down. Given the psychological processes at work, the entrepreneur would seem well advised to form relationships with outsiders who can provide objective assessments. Board members, other business people, accountants, and attorneys can, if kept informed, provide not only expertise, but also objective assistance in diagnosing problems and appraising prospects.

However, there may also be benefits associated with extreme optimism. It may thereby become easier to make the great time commitments observed here. (Recall that the median entrepreneur was devoting more than 60 hours per week to the business.) Thus, buoyed by optimism he or she may work to make the entrepreneurial decision turn out right and, in doing so, may actually increase prospects for success. In addition, optimism may help the entrepreneur to avoid discouragement and to find ways to overcome the many problems which often arise.

For those who work with entrepreneurs, the high, possibly unrealistic degrees of optimism observed here may be what will usually be observed. It may not be desirable to try to dampen this optimism, but the external advisor is in a position to provide objective and detached advice. Working closely with the entrepreneur, it may be possible to make real contributions in diagnosing strengths and weaknesses and in helping the entrepreneur to assess objectively prospects for the business in its current form. The entrepreneurial euphoria observed here may make it difficult for the entrepreneur to make these judgments when working alone.

This is the first stage of a longitudinal study, in which the sample firms and their performance will be tracked for two successive years. It should then be possible to relate subsequent performance to the entrepreneurs' original projections of prospects for success as well as to variables normally thought to be related to entrepreneurial success.

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