

THE IMPACT OF PSYCHOLOGICAL FACTORS IN DECISION-MAKING TO START AND DEVELOP ENTREPRENEURIAL INITIATIVES

Ahmad Yani^{1*}

¹Sekolah Tinggi Manajemen LABORA

E-mail : ahmad_yani@labora.ac.id¹

ABSTRACT

There is a global increase in interest in entrepreneurship among individuals from diverse backgrounds. This phenomenon is fuelled by various factors, including economic, technological, and cultural changes. However, psychological factors also have a significant influence in shaping entrepreneurial intention and behaviour. This research aims to examine the impact of psychological factors in decision-making to start and develop entrepreneurial initiatives. The research method is a qualitative literature review that takes data from Google Scholar for the period 2006 to 2023. The study results show that the impact of psychological factors in decision-making to start and develop entrepreneurial initiatives is significant. Individual motivation, risk perception, tolerance for uncertainty, self-confidence, ability to manage stress, and social support are some of the key psychological factors that influence the entrepreneurial decision-making process. Understanding the complex interactions between these factors is key to developing a better understanding of entrepreneurial motivation and behaviour.

Keywords: Psychological, Decision Making, Entrepreneurship

DAMPAK FAKTOR PSIKOLOGIS DALAM PENGAMBILAN KEPUTUSAN UNTUK MEMULAI DAN MENGGALAKAN INISIATIF KEWIRAUSAHAAN

ABSTRAK

Ada peningkatan global dalam minat berwirausaha di kalangan individu dari berbagai latar belakang. Fenomena ini didorong oleh berbagai faktor, termasuk perubahan ekonomi, teknologi, dan budaya. Namun, faktor-faktor psikologis juga memiliki pengaruh yang signifikan dalam membentuk niat dan perilaku wirausaha. Penelitian ini bertujuan untuk menelaah dampak faktor psikologis dalam pengambilan keputusan untuk memulai dan mengembangkan inisiatif kewirausahaan. Metode penelitian ini adalah tinjauan pustaka kualitatif yang mengambil data dari Google Scholar untuk periode tahun 2006 hingga 2023. Hasil studi menunjukkan bahwa dampak faktor psikologis dalam pengambilan keputusan untuk memulai dan mengembangkan inisiatif kewirausahaan sangat signifikan. Motivasi individu, persepsi risiko, toleransi terhadap ketidakpastian, keyakinan diri, kemampuan untuk mengelola stres, dan dukungan sosial adalah beberapa faktor psikologis utama yang memengaruhi proses pengambilan keputusan kewirausahaan. Memahami interaksi kompleks antara faktor-faktor ini adalah kunci untuk mengembangkan pemahaman yang lebih baik tentang motivasi dan perilaku kewirausahaan.

Kata kunci: Psikologis, Pengambilan Keputusan, Kewirausahaan

INTRODUCTION

There is a global trend indicating an increasing interest in entrepreneurship among individuals from diverse backgrounds. This increase is driven by several factors, including changes in economic dynamics, technological advancements altering business practices, and cultural shifts that view entrepreneurship as an appealing alternative. However, alongside these external factors, psychological factors also play a significant role in shaping entrepreneurial intentions and behaviors. Internal dynamics of individuals, such as motivation, risk perception, and tolerance for uncertainty, also contribute to the decision to engage in entrepreneurial activities (McMullen & Shepherd, 2006).

Research in psychology has emphasized the importance of various psychological aspects, including intrinsic and extrinsic motivation, risk perception, self-confidence, creativity, mental resilience, and decision-making processes, within the framework of entrepreneurship. A deep understanding of how these psychological factors influence individuals in initiating, managing, and developing their ventures can provide significant insights into addressing challenges and opportunities related to the business world (Shepherd et al., 2021). Through an interdisciplinary approach integrating psychological knowledge with management and economic theories, we can enrich our understanding of the entrepreneurial intention formation process, risk management, overcoming barriers, and creating environments conducive to innovation and business growth.

Emotions, including but not limited to anxiety, fear, excitement, and enthusiasm, are seen to have a significant impact on motivating individuals to take entrepreneurial action (Shepherd et al., 2023). A deep understanding of how these emotions interact with the decision-making process can provide a more comprehensive insight into the complexities involved in entrepreneurial steps. For example, anxiety may trigger cautious risk-taking actions or even block the initiative required to start a business. Conversely, excitement and enthusiasm can be powerful drivers to overcome challenges and capitalize on emerging opportunities. In this framework, psychological research focusing on the role of

emotions in the entrepreneurial context not only enhances our understanding of individual motivation but also provides a strong foundation for developing more effective strategies in facilitating the entrepreneurial process.

Social and cultural environmental factors surrounding individuals also have the potential to influence their entrepreneurial intentions and behaviors. Dynamics in social norms, interpersonal support provided by family and friends, as well as societal collective perceptions of success and failure aspects within the entrepreneurial context, all have a significant influence on individual decision-making processes regarding engagement in entrepreneurial activities (Astrup et al., 2023; Satriadi et al., 2022). For instance, a culture that encourages innovation and values risk-taking efforts may motivate someone to pursue entrepreneurial opportunities, while a more conservative or less supportive environment may hinder an individual's motivation to start a business. In this context, understanding how these social and cultural environmental factors interact with psychological and economic factors can provide a more comprehensive insight into the determinants of entrepreneurial intentions and behaviors, as well as assist in designing appropriate policies and interventions to support sustainable entrepreneurship development.

A deep understanding of the implications of psychological factors in the entrepreneurial decision-making process holds substantial relevance in the context of policy development, program training design, and mentoring approaches for individuals interested in entrepreneurial roles. By identifying key factors influencing motivation, risk perception, creativity, and mental resilience, and designing appropriate strategies to influence these dynamics, we can enhance the effectiveness of various initiatives aimed at supporting and facilitating entrepreneurship development. This includes steps such as formulating policies that encourage environments conducive to innovation and healthy risk-taking, developing training programs that emphasize the development of leadership and management skills necessary for successful venture management, and providing personalized

guidance and mentorship to help aspiring entrepreneurs overcome barriers and navigate challenges that arise during their journey in the business world. Thus, a deep understanding of psychological factors can serve as a solid foundation in designing sustainable strategies to improve success rates in supporting entrepreneurial efforts.

LITERATURE REVIEW

Psychological

Psychological refers to everything related to an individual's thoughts, emotions, behaviour and mental processes (Pérez-Álvarez, 2018). In the context of making the decision to start and develop an entrepreneurial initiative, psychological aspects play an important role in shaping an individual's motivation, risk perception, self-confidence and emotional reactions to challenges and opportunities. For example, intrinsic motivation, such as the desire to achieve autonomy or personal fulfilment, can be a strong driver for an individual to start a new venture. On the other hand, a person's risk perception of failure or success also influences their decision to take entrepreneurial steps (Nefzi, 2018). In addition, psychological factors such as creativity, mental resilience and adaptability also contribute to an individual's ability to face challenges and pursue opportunities in the business world. Overall, an in-depth understanding of these psychological factors helps us understand why individuals make certain decisions in the context of entrepreneurship and how these factors can influence their path to success in running their ventures.

Decision-making

Decision-making is a complex mental process in which an individual evaluates a range of available options, considers the consequences of each option, and selects a course of action that is deemed to best suit their goals or interests (Imtiyaz Bisati et al., 2021). In the context of decision-making to start and develop an entrepreneurial initiative, individuals must consider various factors such as market potential, customer needs, industry competition, available resources, the risks

involved, and their personal goals. This decision-making is often influenced by psychological aspects such as motivation, risk perception, self-confidence and emotions. For example, someone who has a high level of self-confidence may be more inclined to take risks in running a business, while someone who is more anxious may prefer safer options. Effective decision-making in the context of entrepreneurship requires careful thought, in-depth analysis and a good understanding of the long-term goals and interests of the individual as well as the external factors that influence the success of the venture (Reymen et al., 2015).

Entrepreneurship

Entrepreneurship refers to the process of creating, developing and managing new or innovative ventures within an organisation (Gadzali et al., 2023). It involves identifying business opportunities, developing creative ideas, gathering the necessary resources, and taking risks to achieve specific goals, such as creating added value, expanding markets, or generating profits. Entrepreneurship involves a wide range of activities, from market research and business planning to marketing, financial management and network building (Prastyaningtyas et al., 2023). Entrepreneurs often need to be resilient innovators, leaders and problem-solvers, ready to face the challenges and uncertainties inherent in the business world (Raharjo et al., 2023; Zen et al., 2023). They also often champion their vision with diligence and determination, striving to create value for customers and society as a whole. Entrepreneurship is not just about creating financial returns, but also about creating a positive impact in the social, economic and environmental environment in which the venture operates. As such, entrepreneurship reflects the spirit of innovation, creativity and resilience in the face of challenges and opportunities in an ever-changing business world.

RESEARCH METHODOLOGY

This research method is a qualitative literature review that takes data from Google Scholar for the period 2006 to 2023. A

qualitative approach is used to explore and analyse various concepts, theories and findings related to the impact of psychological factors in decision-making to start and develop entrepreneurial initiatives. Data will be collected through a comprehensive literature search using Google Scholar, which is an academic search engine that facilitates access to journal articles, conference papers, books and scientific research reports. The researcher will use relevant keywords such as "psychology", "decision-making", "entrepreneurship", and so on, to identify relevant literature. The data found will be screened and analysed qualitatively, with a focus on developing a deep understanding of the relationship between psychological factors and entrepreneurial decision-making. This analysis will involve establishing key themes, identifying trends, and synthesising information found in the literature to provide valuable insights in the context of this study. This method allows the researcher to gain a comprehensive understanding of the subject without limiting themselves to quantitative data, thus enabling an in-depth exploration of the psychological aspects of entrepreneurship.

RESULTS AND DISCUSSION

The decision-making process in the initiation and development of entrepreneurial initiatives is classified as a complex and multifaceted process. Factors that influence this process include various considerations, including psychological factors that play a significant role in shaping individuals' motivation, their perception of risk, and their tolerance for uncertainty (Kamalul Ariffin et al., 2018). The importance of a deep understanding of the impact of these psychological factors in the context of entrepreneurial decision-making becomes increasingly clear and undeniable, given their impact ranging from the conceptual phase to execution and further development of an entrepreneurial venture.

One of the main aspects closely related to psychological factors in the context of entrepreneurial decision-making is the role played by individual motivation in starting a new venture. Motivation, often considered the primary driver behind individual actions,

signifies the force that propels individuals to achieve specific goals. In the entrepreneurial world, motivation can stem from various factors, including intrinsic drives such as the desire to create new innovations, the aspiration for autonomy in running a business, or the ambition to achieve self-empowerment (Carsrud & Brännback, 2011). On the other hand, motivation can also be influenced by external factors, including social pressures from the individual's environment or economic conditions affecting their perception of available opportunities.

Risk perception, as one of the significant psychological factors in the context of entrepreneurial decision-making, refers to individuals' evaluation of the likelihood of risk and reward from a particular action (Yin & Wu, 2023). This assessment plays a crucial role in shaping the strategies and steps taken by entrepreneurs. For some individuals, having a low-risk perception may trigger them to take significant steps and explore larger opportunities in developing their ventures. They tend to view risk as a natural part of the entrepreneurial journey and can face it with confidence. However, for others, especially those with a high-risk perception, this can be a significant obstacle. Fear of the potential consequences of the risks taken can hinder their ability to take bold steps and confront the challenges necessary for business growth.

The level of tolerance for uncertainty also plays a vital role in the context of entrepreneurial decision-making. Uncertainty, as an inherent element in business dynamics, presents challenges that entrepreneurs must face. Individuals with a high tolerance for uncertainty tend to have greater abilities to overcome obstacles and navigate their entrepreneurial journey more effectively (Ayala & Manzano, 2014). They can maintain focus and flexibility in uncertain situations, even seeing uncertainty as opportunities for innovation and growth. However, for some individuals, uncertainty can be a significant source of anxiety and stress, disrupting their ability to make rational decisions and take necessary risks for business advancement.

In addition to motivation, risk perception, and tolerance for uncertainty, other psychological factors such as self-confidence,

stress management skills, and social support also play significant roles in the entrepreneurial decision-making process. Individuals' self-confidence in their ability to face challenges and overcome obstacles affects their attitude toward risk (Manafe et al., 2023). Those with high self-confidence are more motivated to take the necessary risks in their entrepreneurial endeavors. Additionally, their ability to manage stress is influential, as the business environment is often fraught with pressure and uncertainty that can induce stress. Effective stress management can help individuals remain calm and focused in making the right decisions. Lastly, social support from family, friends, or mentors also has a significant impact. Social support can provide emotional and practical encouragement that strengthens individuals in facing challenges and embarking on the entrepreneurial process with confidence and resilience.

Holistically, the implications of psychological factors in the context of decision-making related to entrepreneurial initiation and development are a highly complex and diverse realm. Delving deeper into the dynamics of interaction between these factors and how they influence each other is essential in designing a comprehensive approach to understanding the motivation and behaviors associated with entrepreneurship. A more in-depth analysis of psychological factors such as motivation, risk perception, tolerance for uncertainty, self-confidence, stress management abilities, and social support can provide more detailed insights into how individuals respond to challenges and opportunities in the entrepreneurial environment. Thus, through a deeper understanding of psychological principles, a stronger foundation can be formed to design strategies and policies that support the growth and development of entrepreneurial initiatives more effectively and sustainably.

CONCLUSION

The importance of psychological factors in decision-making to start and develop entrepreneurial initiatives cannot be underestimated. Various psychological aspects such as individual motivation, risk perception,

tolerance for uncertainty, self-confidence, ability to manage stress, and social support play a crucial role in determining the direction and outcome of the entrepreneurial decision-making process. The presence of these factors provides a complex dimension that influences each step in the entrepreneurial journey. Therefore, deepening the understanding of the interactions among these psychological factors is crucial in building deeper insights into motivation and behaviour in the context of entrepreneurship. This study has directions for research and practical implementation:

1. Further Research: Further in-depth research is needed on how psychological factors interact in entrepreneurial decision-making, and their impact on business performance and long-term success.
2. Training and Development: Training and development programmes that focus on the psychological aspects of entrepreneurship can help aspiring entrepreneurs improve their skills and knowledge in managing motivation, risk and uncertainty.
3. Mentors and Community Support: Building a strong network of mentors and community support for aspiring entrepreneurs can help them overcome psychological challenges and gain the insights and support needed to grow their businesses.
4. Holistic Approach to Entrepreneurial Coaching: A holistic approach that considers the psychological, technical and business aspects of entrepreneurship can help aspiring entrepreneurs develop a better understanding of the challenges they face and plan appropriate steps to achieve their business goals.
5. Human Resource Development: Educational organisations and institutions can strengthen their curricula by incorporating learning about the psychological aspects of entrepreneurship, so that students and trainees can gain a more comprehensive understanding of the entrepreneurial decision-making process.

By recognising the importance of psychological factors in entrepreneurial decision-making and implementing appropriate measures to manage them, we can help inspire and support sustainable entrepreneurial growth and positively impact society and the economy as a whole.

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