

ENTREPRENEUR PASSION AND PREPAREDNESS IN BUSINESS PLAN PRESENTATIONS: A PERSUASION ANALYSIS OF VENTURE CAPITALISTS' FUNDING DECISIONS

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We investigated the extent to which venture capitalists' (VCs') perceptions of "entrepreneurial passion" influence the VCs' investment decisions. We defined entrepreneurial passion as an entrepreneur's intense affective state accompanied by cognitive and behavioral manifestations of high personal value. We conceptualized VCs' decision making as a persuasion process in which entrepreneurs present a message (a business plan) to attract investors using the "unimodel" of persuasion. After developing a measure of perceived passion and preparedness using an inductive, qualitative approach, we conducted a laboratory experiment and a field study that consistently showed that preparedness, not passion, positively impacted decisions to fund ventures.

The first crucial sign I've learned to look for is passion.

-Jon P. Goodman, private investor
and Founder of EC2

There are many moments that are filled with despair and agony, when you have to fire people and cancel things and deal with very difficult situations . . . it's so hard (to build a company) that if you don't have a passion, you'll give up.

-Steve Jobs, CEO of Apple Inc.

Passion—a word often reserved for romance and artistic work—is more prevalent than we normally think. In the business world, nonromantic passion is closely tied to economic activities. It is an important, albeit rarely recognized, factor in resource allocation decisions made by managers, investors, and consumers alike. To attract customers, producers of consumer goods often express their passion for their products and what they can do for con-

sumers and society at large; for example, Starbucks emphasizes its passion for people and its passion about creating a "third place" where people can relax and make connections, not just get coffee (Kumar & Luo, 2006).

The passion displayed by entrepreneurs has been one of the most frequently observed phenomena of the entrepreneurial process (Smilor, 1997). Entrepreneurs have to sell their venture plans to potential investors, potential employees, and major customers. In such situations, passion is often critical to convince the targeted individuals to invest their money, time, and effort in the new venture. In corporate settings, people championing new products seek top management support and resources through powerful product presentations (Howell & Boies, 2004). Passion is perhaps even more important in the nonprofit sector, where donors often do not receive returns in terms of financial profits. In this case, promoters of such ventures are required to make a compelling case for the causes they endorse. Thus, passion, as an intangible, hard-to-measure quality of those asking for resources, can be powerful and critical in many endeavors that are aimed at creating something new in society.

Passion is a strong indicator of how motivated an entrepreneur is in building a venture, whether she/he is likely to continue pursuing goals when confronted with difficulties, how well she/he articulates the vision to current and future employees,

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and whether she/he will be able to influence, persuade, and lead people in growing the venture (cf. Vallerand et al., 2003).

In this study, we investigated the extent to which venture capitalists' (VCs') perceptions of the passion displayed by entrepreneurs in business plan presentations influences their investment decision. Research on VC funding decisions has suggested that the venture idea or opportunity, the market, the management team, and the entrepreneur making the pitch are among the variety of criteria VCs use in making their funding decisions (Hall & Hofer, 1993; Robinson, 1987; Tyebjee & Bruno, 1984). Hisrich and Jankowicz (1990), through a series of in-depth interviews with VCs, concluded that VCs relied on their "gut feelings" about investing in proposed new ventures.

Prior entrepreneurship research has suggested that factors that drive such "gut feelings" include (1) the personality and background of the entrepreneur proposing a venture, (2) the characteristics of the management team, and (3) the "interpersonal chemistry" between the entrepreneurs and the VCs (see Riquelme & Watson, 2002). These factors all point to the "person" aspect of the proposed venture, indicating that VCs base their funding decisions in part on the technical, personal, and interpersonal capabilities of the entrepreneur proposing a new venture. It is not surprising that Arthur Rock, the legendary Silicon Valley VC, once remarked, "I invest in people, not ideas. If you find good people, if they're wrong about the product, they'll make a switch, so what good is it to understand the product that they're talking about in the first place?" (quoted in Sahlman, 1997).

Arthur Rock's comments suggest that investors in general, and VCs in particular, hold implicit mental models or theories about the types of factors that have an impact on the success of a venture and hence on that of the investment. As Zacharakis and Shepherd (2001) speculated, in ambiguous and uncertain environments, where the claims made by an entrepreneur are difficult to verify, VCs' subjective evaluation of the entrepreneur's personal qualities, such as his or her "passion," is psychologically functional because it often boosts the VCs' confidence in their evaluation of the business plan.

To study the role of passion in the VC investment decision context, we viewed the process by which entrepreneurs secure funding from VCs through presenting business plans as a "persuasion process" (Elsbach & Kramer, 2003; Zacharakis & Shepherd, 2001). We employed the "unimodel" (Kruglanski & Thompson, 1999a, 1999b) found in the social judgment and attitude formation and change literatures to ground the arguments leading to our hypotheses. Using this

model, we addressed the part of the decision process that has been traditionally missing from the VC decision literature—namely, the interpersonal, dynamic judgment process based on the perceptions of entrepreneurs and venture teams. Further, by studying passion and its impact on a typical resource allocation decision, we intended to gain a better understanding of the mechanisms driving such decisions in other contexts.

PASSION, PREPAREDNESS, AND VENTURE SUCCESS

Passion and Preparedness

Passion is often associated with "love," be it love in romantic relationships, or in nonromantic settings such as work. Social psychologists have treated passion as a motivational construct that contains affective, cognitive, and behavioral components. For example, Vallerand et al. defined passion as "a strong inclination toward an activity that people like [affective], that they find important [cognitive], and in which they invest time and energy [behavioral]" (2003: 756). Similarly, Perttula defined passion for one's work as "a psychological state characterized by intense positive emotional arousal, internal drive and full engagement with personally meaningful work activities" (2003: 15). These two definitions suggest that passion helps direct one's attention and actions and that it is a domain-specific motivational construct. It is domain-specific because one needs to have a target of love for passion, and this target is often a specific activity or a collection of activities that embody certain implicit or explicit values.¹ Therefore, one can be passionate about golfing, a single activity reflecting achievement or hedonism as a value, or one can be passionate about helping others through volunteering and raising money for charities, multiple activities reflecting benevolence as a value (Schwartz & Bardi, 2001).

In the entrepreneurship literature, attempts to define passion share a common emphasis on affect, especially positive affect. For example, Baum and Locke called passion (for work) "love" for work (2004: 588). Shane, Locke, and Collins called it a

¹ This definition is similar to the definition of "self-efficacy," (Bandura, 1977) in that self-efficacy is also a domain-specific motivational construct. However, self-efficacy refers to an individual's subjective feeling and judgment of being able to accomplish a specific task, whereas passion refers to an individual's intense affect toward a specific target that bears cognitive and behavioral manifestations of high personal value.

“selfish love of work” (2003: 268). Smilor defined passion as the “enthusiasm, joy, and even zeal that come from the energetic and unflagging pursuit of a worthy, challenging, and uplifting purpose” (1997: 342) and thus effectively qualified it as an *affective* experience that accompanies actions laden with value. Cardon, Wincent, Singh, and Drnovsek defined it as consciously accessible intense positive feelings experienced by engagement in entrepreneurial activities, associated with roles that are meaningful and salient to the self-identity of the entrepreneur (in press: 12).

Building on these definitions from the social psychological and entrepreneurship literatures, we define “entrepreneurial passion” as an entrepreneur’s intense affective state accompanied by cognitive and behavioral manifestations of high personal value. We explicate two aspects of this definition with greater clarity. First, the intense affective state is accompanied by cognition and behaviors. Passionate individuals not only experience intense emotions—their minds are also extremely active (e.g., “I can’t stop thinking about the business venture idea”)—and they are likely to take action to address their passion (see Baron [2008] for a broader theoretical discussion of how affect impacts entrepreneurial cognitive and behavioral processes). To distinguish the affective from the cognitive dimension of the passion construct, in this study we label the affective aspect “passion” and the cognitive aspect “preparedness.” Later, when we discuss the passion construct, we use the latter term instead of “passion” alone. We acknowledge that passion is a multidimensional construct; however, in this study we chose to focus on the visible, outward expressions of an entrepreneur’s passion. Second, although the passion experience is largely positive (Busenitz & Barney, 1997), it does not exclude negative affective states such as anxiety or fear, since people can hold ambivalent emotions (i.e., emotions of opposite valence) regarding an issue (Fong & Tiedens, 2002).

Linking Affective and Cognitive Passion to Venture Success

Although few rigorous academic studies about entrepreneurial passion exist, some recent studies have alluded to the importance of passion in venture performance. For example, Baum, Locke, and Smith (2001) empirically tested a multidimensional model of venture growth, with one of their main predictors being passion. These authors found that entrepreneurs’ traits, including tenacity, proactivity, and passion for work, exerted positive effects on venture growth. More importantly, pas-

sionate entrepreneurs also showed greater motivation and a higher propensity to grow their ventures when compared to others in their sample.

A few others have studied the role of social competence and its influence on entrepreneurs’ financial success.² Baron and Markman (2000, 2003), for example, found that self-reported expressiveness (one’s tendency and ability to express emotions) was positively related to entrepreneurs’ business incomes and their companies’ sales revenues. They concluded that the *perceived expressiveness* of an individual’s emotion in a social setting is a predictor of the financial success of entrepreneurial ventures (see also Spence, Donovan, & Brechman-Toussaint, 1999). In another study, Baron and Tang (in press) demonstrated that entrepreneurs’ expressiveness was a significant predictor of financial results such as growth in sales, earnings, and employment in new ventures in China. Recently, Baron (2008) stated that high levels of affect not only made entrepreneurs more persuasive, but also contributed to the breadth of their social networks, which in turn increased their social capital. As a result of increased social capital, these entrepreneurs had a higher probability of achieving success in new ventures.

In contrast to these studies, Elsbach and Kramer’s (2003) study provided direct evidence supporting the notion that VCs may consider perceived entrepreneurial passion when they make investment funding decisions. Elsbach and Kramer documented how studio executives and producers (investors, in this context) engaged in “prototype matching” to assess the creative potential of relatively unknown screenwriters (“pitchers”) in Hollywood pitch meetings. Within the first few minutes of a pitch, producers quickly categorized the pitcher into a preexisting prototype, within either a “creative” category (e.g., “artist,” “storyteller”) or an uncreative category (e.g., “journeyman”). One of the most important attributes used in identifying the creative prototypes was passion, which was mentioned frequently in all forms of their data (interviews, observations, and archives); that is, the attributes identified by informants that led to a match with the creative prototypes all included the word “passionate,” whereas for the uncreative prototypes, the word was not mentioned. These findings suggest that passion plays an important role in

² “Social competence” refers to an individual’s overall effectiveness in interacting with others in face-to-face contexts and includes skills such as the ability to perceive others accurately, make a good first impression, and persuade others to change views or behavior.

investment decisions for ventures that capitalize on innovativeness and creativity.

We speculate that the judgments about passion represented in Elsbach and Kramer's (2003) data were based on information from two sources: the nonverbal cues a pitcher displayed (affective), and the content of the script being pitched itself (cognitive). A well-written script with a thoughtful plot and unexpected yet reasonable ending reveals the time, effort, and resources the author has invested, or how prepared he is. Thus, how well prepared one is is as important as how enthusiastic one is in predicting whether a script will be successful or not. Similarly, the quality of a business plan should reflect the cognitive preparedness of the entrepreneur who offers it—that is, whether he or she would be ready to take the proposed venture forward if resources were provided. In this regard, the business plan serves as an important indicator of a venture's potential for success.

The extant entrepreneurship literature does little to inform us about how entrepreneur passion influences VCs' decision-making process as it occurs in the context of business plan presentations. Although it is widely acknowledged in the popular press and in entrepreneurship circles that displaying passion is essential in acquiring funding for new ventures, there is little empirical research demonstrating such a phenomenon or exploring its theoretical underpinnings. It is this gap that we attempt to address in our study.

VENTURE INVESTMENT DECISION MAKING AS A PERSUASION PROCESS

How do venture capitalists evaluate whether a business plan is worth investing in? Social judgment research and persuasion research offer potential insights. Persuasion involves attitude formation and change in a recipient (e.g., a VC) as a result of exposure to information associated with an appeal (e.g., the business plan presentation).³ We view the making of VCs' funding decisions as a persuasion process, whereby entrepreneurs convince VCs of the merits of the entrepreneurs' proposed ventures.

³ In real VC investments, the persuasion outcome is a result of aggregating the outcomes of small moments of persuasion (from, for example, the past five meetings with the entrepreneurs or several visits to the company). However, in the context of our study—the business plan presentation and go/no-go decisions—the persuasion models apply.

The Unimodel and VC Decision Making

To explicate this process, we adopt the unimodel of persuasion (Kruglanski & Thompson, 1999a, 1999b) from social psychology, for it offers a new conceptualization of persuasion. Although the unimodel differs from other established paradigms of attitude change, such as dual-process models (Crano & Prislin, 2006; Forgas, Williams, & Von Hippel, 2003), it has received greater recognition and acceptance in the literature in recent years (e.g., Kruglanski, Chen, Pierro, Mannetti, Erb, & Spiegel, 2006; Kruglanski, Chun, Erb, Pierro, Mannetti, & Spiegel, 2003; Pierro, Mannetti, Kruglanski, & Sleeth-Keppler, 2004).

In contrast to the dominant dual-process approaches (Chaiken, Liberman, & Eagly, 1989; Petty & Caciopo, 1986) discussed in the literature, the unimodel does not rely on the assumption of two *qualitatively* different routes to information processing. On the contrary, its assumption is that the processing of issue-relevant information (the content of a message) and issue-irrelevant information (cues other than the message itself) share the same route and that there is only a *quantitative* difference between processing these two types of information (Erb, Pierro, Mannetti, Spiegel, & Kruglanski, 2004; Kruglanski et al., 2003).⁴ In other words, according to the unimodel of persuasion, there is "functional equivalence between cues/heuristics and messages/arguments in persuasion" (Kruglanski et al., 2006: 108). The unimodel also asserts that both motivation and cognitive ability come into play (as in dual-process approaches to understanding persuasion) to determine how the receiver processes information (exerting more versus less effort). This conceptualization suggests that persuasion outcome is determined by what receivers believe to be the basis for their judgment (e.g., "An expert has more valid claims" or "My belief about social justice is the standard for evaluating the validity of arguments") and, therefore, what qualifies as relevant evidence for consideration.

This conceptual distinction between the dual-

⁴ The unimodel has not addressed neurological differences in processing different types of information. It is conceivable that there exist differences in processing information that is affect-laden (e.g., nonverbal cues) versus information that requires only cognitive analysis in terms of the different brain centers that are activated. However, the unimodel seems to imply that regardless of the physiological differences in processing, "cues" and "arguments" are ruled by the same laws when it comes to having an impact on the persuasion outcomes (cf. Brewer, 2003).

process models and the unimodel addresses the subjectivity of what information qualifies as “evidence” for a persuasion-based conclusion. The unimodel disregards the so-called qualitative differences in information received. In the VC decision context, whether or not passion (affective) and/or preparedness (cognitive) are considered relevant will depend on a VC’s implicit mental model about these two pieces of information. On the one hand, if a VC does not have the passion-venture success relationship in mind, information about how passionate an entrepreneur is will be irrelevant to the investment funding decision. On the other hand, if a VC strongly believes that the display of passion is crucial for the entrepreneur to be successful, then passion becomes highly relevant in the VC’s decision making about funding. As a result, we believe that the unimodel explains the VC decision-making process better than the dual-process model because it parsimoniously captures the persuasion process in business plan presentation.

Manifestation and Perception of Passion and Preparedness in Presentations

VC firms receive numerous business plans every year and are often cautious about making investment decisions (Bhidé, 2000). The typical VC investment decision tends to be nonroutine, complex, and challenging because of the market and technical, financial, and personal uncertainties involved in proposed ventures. Hence, VCs routinely elaborate due diligence to accumulate as much data as possible to assess proposed ventures. Clearly, one important aspect of this due diligence process is listening to an entrepreneur’s business plan presentation and assessing his or her passion and preparedness in such a context.

Passionate entrepreneurs are those who show strong and positive emotions toward their projects, who cannot stop thinking and talking about their ideas, and who are busy mobilizing resources to turn their ideas into reality. Thus, observers of passion draw inferences about it from the affective, cognitive, and behavioral signs the entrepreneur displays. To VCs in a natural field setting, entrepreneurs’ passion is observable to the extent that they display emotions (affective manifestation of the construct) and present evidence for the thinking they have done (cognitive manifestation of the construct) and the actions they have taken (behavioral manifestation of the construct). In the context of a business plan presentation, the judges cannot observe actions beyond that of the presentation, so

in our study we were unable to include the behavioral manifestation of passion.

The affective manifestation of passion for entrepreneurs who present business plans can include both verbal (as in the use of words that indicate one’s emotional state, such as “I am very excited about the opportunity we have”) and nonverbal (as in the use of facial expressions and body language, such as a smile) expressions. In this study, we only examined nonverbal cues related to the emotional display of passion.

Evidence for thorough preparation in refining a business idea (cognitive manifestation of the passion construct) is reflected in the quality of the business plan being presented to VCs: the entrepreneur’s careful consideration of market needs, the product or service that can meet such needs, the market segments with the greatest potential for demand, competition from current or potential rivals, the expected financial return from pursuing the venture, and the difficulties the entrepreneur may encounter as the venture unfolds. It is also reflected in the way the entrepreneur tackles and responds to questions from the VCs at the end of the business plan presentation—whether the entrepreneur has well-thought-out answers and creative solutions for any concerns raised during the presentation.

The theoretical arguments, anecdotes, and research reviewed earlier suggest that both passion (affective) and preparedness (cognitive) are likely to be considered relevant information in VCs’ judgment of whether a proposed venture is worth funding. Therefore, we propose:

Hypothesis 1. In a business plan presentation, a VC’s perception of an entrepreneur’s passion has a significant, positive effect on the VC’s decision to invest.

Hypothesis 2. In a business plan presentation, a VC’s perception of an entrepreneur’s preparedness has a significant, positive effect on the VC’s decision to invest.

METHODS

Overview

We used multiple methods to test our hypotheses. Given the paucity of the research on entrepreneurial passion, we began by using a qualitative approach to develop a perceived passion and preparedness scale, which we subsequently refined in two studies. In Study 1, we conducted a laboratory experiment and examined the hypotheses by manipulating the content of a business plan and the amount of passion exhibited by its

presenter. In Study 2, we tested our hypotheses in a field setting at a university's annual business plan competition to examine the generalizability of our findings.

Development of the Perceived Passion Scale

We developed a scale to measure VCs' perception of entrepreneurs' passion and preparedness based on entrepreneurs' business plan presentations. We adopted an inductive, qualitative, and multistage approach to developing the scale. First, we administered an open-ended survey to 51 business executives, professors, doctoral students, and MBA students. We asked these respondents to draw from their experience and indicate the nonverbal cues and behavioral indicators that would make them think that a presenter or speaker was passionate about her or his work. The number of statements respondents provided ranged from 1 to 8, with an average of 4.7. The respondents provided a total of 239 statements.

Next, the first two authors independently sorted the statements into categories and found high consistency between their sortings ($r = .92$). The few remaining discrepancies were thoroughly discussed and a final consensus was reached whereby all the statements were put into six categories. We then chose the most frequently mentioned or typical items from each category to form the initial "perceived passion" scale, which included 22 items.

We then tested the construct validity of these 22 items by asking 224 undergraduate, MBA, and doctoral students to evaluate videotaped or live presentations. We conducted an exploratory factor analysis that led to a five-factor solution explaining 73 percent of the total variance. We dropped the 3 items that had high cross-factor loadings from further analyses. The remaining 19 items had loadings higher than .65 on their corresponding factors. We administered this 19-item measure in Study 1 (a laboratory experiment), in which 126 people participated.

Using the data collected from Study 1, we conducted another exploratory factor analysis. This analysis revealed a two-factor solution explaining 68 percent of the total variance in the sample. In this analysis, we found 8 items with high cross-factor loadings and dropped them from further analyses. The remaining 11 items had loadings higher than .60 on their corresponding latent factors (see Table 1). The items that load on factor 1 (the presenter had energetic body movements, displayed rich body language, was animated, showed facial emotion, used gestures, and modulated his or

TABLE 1
Factor Loadings of the Perceived Passion Scale

Items	Factor 1: Passion	Factor 2: Preparedness
1. The presenter(s) had energetic body movements.	.91	.18
2. The presenter(s) had rich body language.	.88	.24
3. The presenter(s) showed animated facial expression.	.83	.25
4. The presenter(s) used a lot of gestures.	.82	.23
5. The presenter's face lit up when he/she or he talked.	.74	.32
6. The presenter(s) talked with varied tone and pitch.	.73	.40
7. The presentation content had substance.	.21	.90
8. The presentation was thoughtful and in-depth.	.23	.88
9. The presentation was coherent and logical.	.26	.84
10. The presenter(s) articulated the relationship between the business plan and the broader context.	.33	.70
11. The presenter(s) cited facts to support his/her arguments.	.22	.70
Eigenvalue	6.37	1.74
Variance explained	52%	21%

voice) reflect the perception of affective passion. This factor explains about 52 percent of the variance, and the alpha reliability for this six-item subscale is .95. Items that load on factor 2 (the presentation was thoughtful and reflected depth of understanding, had substance, reflected the broader context, was coherent and logical, and was supported by facts cited) reflect the perception of preparedness (cognitive passion). This factor explains an additional 21 percent of the variance, and the alpha reliability for this five-item subscale is .87.

To determine the construct validity of the two-factor model of the 11-item perceived passion and preparedness scale, we performed a confirmatory factor analysis (CFA) using the data from 55 judges in a business plan competition at the authors' university (Study 2 is explained in detail below). This analysis, for which we used EQS (Bentler & Weeks, 1979, 1980) revealed an adequate overall fit for the two-factor model ($\chi^2 = 106.31$, $df = 43$, $p < .00$, CFI = .96, NFI = .93, IFI = .96, GFI = .90, RMSEA = .09), but a poor fit for the one-factor model ($\chi^2 = 547.59$, $df = 44$, $p < .00$, CFI = .66, NFI = .64,

IFI = .66, GFI = .65, RMSEA = .26). These results indicate that the two-factor model better fits our data ($\Delta \chi^2 = 441.29$, $df = 1$, $p < .00$). The correlation between these two subscales is moderate in both studies ($r = .39$, $p < .01$, Study 1; $r = .46$, $p < .01$, Study 2), suggesting that passion and cognitive preparedness are distinct but related constructs. These results support our conceptualization of entrepreneur passion as including two distinct components in the business plan presentation context.

STUDY 1: LABORATORY EXPERIMENT

Participants, Design, and Procedures

Participants in this study included 126 executive MBA (EMBA) and MBA students who took the corporate entrepreneurship course at a large public university in the United States, where two of the authors were faculty members. All students volunteered to participate in the study. The average age of the participants was 37.10 (s.d. = 7.30), with an average of 14.30 years of working experience (s.d. = 7.90). Seventy percent were male, 21.6 percent had a four-year undergraduate degree, 76 percent had a master's degree, and 5 percent had a doctoral degree. Moreover, 75 percent of participants had taken public speaking lessons.

The experimental design was a two (high or low passion) by two (high- or medium-quality business plan) factorial, resulting in four experimental conditions. To choose the appropriate business plans to use, we examined those that had been entered in the previous year's business plan competition at the same public university. After many rounds of deliberation, we selected the business plan that was ranked 1st out of the 16 in the semifinal round of the competition and the plan that was ranked 8th. The 16 semifinalists were selected from an initial submission pool of 64 plans during 2004. The 1st-ranked plan represented a high-quality biotechnology venture, and the 8th-ranked plan was a medium-quality venture proposing a financial magazine for teenagers.

We first constructed written executive summaries of these two plans for our experiment participants and then recruited a professional actor to produce four videos that corresponded to the four experimental conditions: a medium-quality business plan presented with or without great passion, and a high-quality business plan presented with or without great passion. The actor was asked to show affective passion (or not, depending on the experimental condition), but to keep the content (the words used to describe the business plan) exactly

the same for the respective business plans. The experiment's purpose was to examine the impact of passion and preparedness on funding decisions. Several rehearsals were conducted before the final video was shot. All four experimental condition videos lasted for eight minutes.

We randomly chose one of the four experimental condition videos to be presented to a group of EMBA or MBA students in classrooms equipped with audiovisual facilities. They were told to role-play VCs and make a funding decision for the business plan they saw on video. We first gave them the business plan's written executive summary and asked them to read and consider investing in the proposed venture for ten minutes. We then showed them the entrepreneur's presentation of the business plan in the video and asked them to fill out a questionnaire evaluating the entrepreneur's passion and preparedness on a five-point scale (1, "not at all," to 5, "frequently"), make an investment decision (i.e., "yes" or "no"), provide reasons for their decision, and answer a few demographic questions. After the questionnaires were collected, the participants were debriefed and the session was concluded.

Variables

Reasons for investment decision. We listed five reasons for a funding decision: (1) the business model made sense, (2) the product was creative, (3) the entrepreneur was enthusiastic and the management team members had strong backgrounds (the executive summary of the business plans described team backgrounds), (4) there was an attractive market for the product, and (5) the business idea was profitable. Participants were asked to check all reasons that applied and were encouraged to list any other reasons not provided on the list.

Demographic variables. Given that few studies have examined the effects of venture capitalists' individual differences on their decision making, we started with those variables that might have an impact, such as age, sex, years of work experience, education level, and whether the participant had taken a public speaking lesson, since this experience could have an impact on how he or she viewed the business plan presentation.

Results

Manipulation check. To ensure the effectiveness of the passion manipulation, we calculated participants' evaluation on the affective passion subscale and conducted a one-way analysis of variance (ANOVA). The results showed that the participants

TABLE 2
Means, Standard Deviations, and Correlations for Study 1^a

Variables ^b	Mean	s.d.	1	2	3	4	5	6	7	8	9
1. Age	37.1	7.3									
2. Gender	0.70	0.46	.16								
3. Education	2.2	0.48	-.12	.00							
4. Work experience	14.3	7.9	.89**	.18*	-.05						
5. Public speaking lessons	0.75	0.43	-.11	-.01	-.08	-.10					
6. Quality of business plan			.02	.03	.22	-.02	.03				
7. Passion manipulation			-.13	-.14	-.11	-.17	.03	.05			
8. Passion	3.0	1.2	-.15	-.07	-.07	-.21*	.01	.03	.75**	(.95)	
9. Preparedness	3.6	0.84	-.30	-.04	-.07	-.05	-.06	.26**	.18*	.43**	(.87)
10. Investment decision	0.34	0.48	-.01	-.01	-.16	-.04	-.13	-.37**	.06	.09	.25**

^a Values in parentheses are alpha reliabilities.

^b For gender, 0 = "female," 1 = "male." For public speaking lessons, 0 = "no," 1 = "yes." For quality of business plan, 0 = "high," 1 = "medium." For passion manipulation, 0 = "no," 1 = "yes." For investment decision, 0 = "no," 1 = "yes."

* $p \leq .05$

** $p \leq .01$

in the high-passion condition perceived more passion (mean = 3.65) than those in the low-passion condition (mean = 1.78; $F_{1, 121} = 158.45$, $p < .001$). These results suggest that the actor was successful in controlling the nonverbal cues (i.e., body movement, facial expression, tone of voice) displayed during the presentation. These results confirm that our manipulation of passion was effective in inducing participants' perception of passion.

To ensure the effectiveness of the business plan quality manipulation, we used participants' evaluation on the preparedness subscale and conducted a one-way ANOVA. The results showed that the participants in the high-quality condition gave significantly higher scores (mean = 3.67) than those in the medium-quality condition (mean = 3.36; $F_{1, 121} = 10.60$, $p < .01$). These results confirm that our choice of business plans of different quality level effectively generated different perceptions of preparedness in the participants.

To examine whether the entrepreneur/management team factor was of primary concern to the participants in their investment decision making, we calculated the frequencies with which the participants chose the five reasons. As predicted, reason 3 (the entrepreneur was enthusiastic and the management team members had strong backgrounds), given by 69 percent of the participants, was the most frequent; it was followed by reason 1 (the business model made sense), given by 58 percent; reason 2 (the product was creative), 47 percent; reason 5 (the business idea was profitable), 41 percent; and reason 4 (there was an attractive market for the product), 40 percent. These results are consistent with findings from previous research (e.g., MacMillan, Siegel, & Narasimha, 1985; Tyeb-

jee & Bruno, 1981, 1984), indicating the importance of the entrepreneur and management team as the focal point of the investment decision regarding a new venture.

Hypothesis testing. Table 2 presents the correlations between the variables of interest. Because the dependent variable of our study—investment decision—was dichotomous, we used logistic hierarchical regression analyses to test the general hypothesis that VCs' perceptions of the passion of a presenter would significantly influence their funding decisions. Three out of the 126 Study 1 participants did not make investment decisions, and an additional 2 participants did not provide information on whether they had taken public speaking lessons, so we dropped these five cases from the final analysis, resulting in 121 valid data points. We entered all of the demographic variables in step 1, the two manipulated variables (i.e., the nonverbal display of passion and the business plan's quality) and their interaction term in step 2, and then in step 3 we entered the perceived passion and preparedness variables. Table 3 presents the results.

The results in Table 3 indicate that after the effects of the demographic variables were controlled for, the experimental manipulation explained a significant amount of variance in participants' investment decision ($\Delta R^2 = 16\%$, $p < .01$), with a significant, positive effect from the quality of the business plan ($\beta = 2.13$, $p < .01$). More importantly, we found that neither the main effect of the passion manipulation nor its interaction with business plan quality was significant at the .05 level, suggesting that passion might not have the predicted effect.

Of greater interest, we examined the extent to

TABLE 3
Logistic Hierarchical Regression Results for Study 1, Laboratory Experiment^a

Variables	Model 1	Model 2	Model 3
Constant	1.65 (2.02)	-1.59 (2.46)	-9.62** (3.54)
<i>Control variables</i>			
Age	0.01 (0.06)	0.04 (0.07)	0.09 (0.08)
Gender	0.03 (0.43)	0.16 (0.47)	0.37 (0.52)
Education	-0.82 (0.45)	-0.32 (0.51)	0.23 (0.58)
Work experience	-0.03 (0.05)	-0.05 (0.06)	-0.12 (0.08)
Public speaking lessons	-0.72 (0.45)	-0.71 (0.49)	-0.51 (0.56)
<i>Independent variables</i>			
Business plan		2.13** (0.90)	3.94** (1.15)
Passion manipulation		0.69 (0.86)	2.07 (1.18)
Business plan \times passion manipulation		-0.59 (1.04)	-1.46 (1.17)
Passion (affective)			-0.69 (0.38)
Preparedness (cognitive passion)			1.65** (0.42)
ΔR^2		.16	.18
Adjusted R^2	.07	.23	.41
Overall χ^2	6.19	22.28**	42.86**
df for overall χ^2	5	8	10

^a $n = 121$. Standard errors are in parentheses.

* $p < .05$

** $p < .01$

which perceived passion and preparedness had positive effects on participants' funding decisions. Results in model 3 of Table 3 reveal that perceived passion and preparedness together explain a significant amount of additional variance in investment decisions ($\Delta R^2 = 18\%$, $p < .05$), which supports our general hypothesis. However, a closer examination of Table 3 indicates that it is *preparedness* ($\beta = 1.65$, $p < .01$) that exerts a significant effect on funding decisions, whereas the effect of passion is not significant at the .05 level. These results provide support for Hypothesis 2, but not for Hypothesis 1. Taking these results together, we infer that the quality of the business plan presented (manipulated through the verbal content of the video presentation and the business plan executive summary) induced investors' perceptions of the presenter's preparedness, which in turn influenced their funding decisions.

Additional analysis. Our results led us to speculate that preparedness might have played a mediating role. To test this speculation, we conducted a three-step regression analysis, following Baron and Kenny (1986). In step 1, we ran two regression models to examine whether business plan quality had a significant effect on (1) the investment decisions and (2) preparedness. In step 2, investment decision was regressed on preparedness. Mediation was only possible if the step 1 and step 2 regression models yielded significant results for the predic-

tors. In step 3, business plan quality and preparedness were entered simultaneously as predictors of investment decision. If both effects remained significant, then preparedness was a partial mediator. If the effect of preparedness remained significant while the effect of plan quality was no longer significant, then preparedness was a full mediator. However, if the finding was the other way around, then perceived preparedness was not a mediator (Baron & Kenny, 1986). In all regressions, we included the same set of control variables as in the previous logistic regression.

This additional analysis confirmed our speculation. We found that (1) the quality of the business plan had significant effects on perceived preparedness ($\beta = 0.50$, $p < .01$) and funding decisions ($\beta = 1.47$, $p < .05$); (2) perceived preparedness had a significant effect on funding decisions ($\beta = 0.54$, $p < .05$); and (3) when both variables were entered simultaneously, both effects remained significant ($\beta = 2.46$ and $\beta = 1.45$, $p < .01$). These results suggest that preparedness is a partial mediator of the relationship between business plan quality and VCs' funding decisions.

Since affective passion did not have a significant effect on funding decisions, even though the passion manipulation had a significant influence on perceived passion, it did not qualify as a mediator of the relationship between passion manipulation and funding decision.

TABLE 4
Means, Standard Deviations, and Correlations for Study 2^a

Variables ^b	Mean	s.d.	1	2	3	4	5	6	7	8	9
1. Age	46.5	7.9									
2. Gender	0.82	0.38	.08								
3. Education	2.1	0.52	-.14	.14							
4. Work experience	23.1	7.1	.83**	-.02	.18*						
5. Public speaking lessons	0.81	0.40	.35**	.22**	.14	.37**					
6. Business plan (dummy)	8.2	4.5	-.02	.03	.18*	-.01	.16*				
7. Passion	3.7	0.80	-.00	-.01	-.06	-.01	-.04	.09	(.94)		
8. Preparedness	3.6	0.76	-.01	.00	.06	.02	.03	.15*	.45**	(.90)	
9. Investment decision	0.31	0.46	.15*	.18*	.04	.10	.17*	.04	.18*	.41*	

^a Values in parentheses are alpha reliabilities.

^b For gender, 0 = "female," 1 = male. For public speaking lessons and investment decision, 0 = "no," 1 = "yes."

* $p \leq .05$

** $p \leq .01$

STUDY 2: FIELD STUDY

Participants and Procedures

Next, to examine the generalizability of these findings, we conducted a field study to see whether they could be replicated in a setting in which neither the quality of business plan nor the emotional display of passion was manipulated. We collected field study data over two consecutive years of the university's annual business plan competition. We chose to focus on the stage of the business plan competition at which initial screening had been completed. The venture plans entering this stage had great promise for obtaining outside funding. Study participants included 55 investors who were invited to serve as competition judges. The judges came from VC firms, banks, and financial companies in the metropolitan area where the university was located. The average age of this sample was 46.50 years old (s.d. = 7.90), and the average work experience was 23.10 years (s.d. = 7.10). Eighty-two percent of the sample members were male; 69 percent had a master's degree or MBA; and 18 percent had a doctoral degree. About 81 percent of them had taken public speaking lessons. The sample was highly educated and experienced in funding entrepreneurial ventures.

A total of 31 business plans (including teams from both years) entered the semifinal round of the competition and were divided into eight panels. As part of the business plan competition, eight panels of judges (with six or seven judges in each panel) were formed. All panels, except one, evaluated four business plan presentations; the one exceptional panel consisted of six judges who evaluated three presentations. The potential number of total observations was 206.

All judges received the written business plans a week before the presentations. Each team was given

15 minutes to present their business plan, followed by a 10-minute question-and-answer session. Following a presentation, the judges were asked to evaluate it in terms of: (1) the passion shown by the main presenter in the presentation, (2) the preparedness demonstrated through the presentation, and (3) whether or not the VCs intended to invest. Judges independently filled out the evaluation forms immediately after each presentation. At the end of all the presentations, each panel deliberated and recommended one business plan out of the plans reviewed to advance to the final round of the competition. However, because the time between presentations was short, some judges were not able to make a decision for some plans, and others did not complete all of the items in the evaluation form. Therefore, instead of having 206 observations, only 159 complete evaluations were available for data analysis.

Measures

Passion and preparedness. The 11-item scale from Study 1 was used to measure judges' perception of the presenters' passion and preparedness. The alpha reliability for the passion scale was .94, and the alpha reliability for the preparedness scale was .90. These reliability measures are similar to the ones obtained in Study 1.

Demographic variables. We again included the judges' age, sex, education level, work experience, and history of taking public speaking lessons as control variables.

Results

Hypothesis testing. Table 4 presents the correlations of the variables of interest. We performed a logistic hierarchical regression analysis to test our

TABLE 5
Logistic Hierarchical Regression Results for
Study 2, Field Study^a

Variables	Model 1		Model 2	
Constant	-2.14** (1.27)		-8.53** (2.09)	
<i>Control variables</i>				
Age	0.05	(0.05)	0.06	(0.05)
Gender	-1.13	(0.67)	-1.24	(0.73)
Education	0.10	(0.58)	0.24	(0.68)
Work experience	-0.03	(0.05)	-0.05	(0.06)
Public speaking lessons	-0.87	(0.58)	-0.78**	(0.64)
Business plan (dummy)	0.02	(0.04)	0.00	(0.05)
<i>Independent variables</i>				
Passion (affective)			-0.09	(0.30)
Preparedness (cognitive passion)			1.69**	(0.37)
ΔR^2			.24	
Adjusted R^2	.11		.36	
Overall χ^2	13.41		46.11**	
df for overall χ^2	6		9	

^a $n = 159$. Standard errors are in parentheses.

* $p < .05$

** $p < .01$

hypotheses. Since we were interested in the individual-level relationship between perceived passion and funding decision, even though each judge evaluated four business plans, we treated each evaluation as an independent observation. We entered the judge's demographic variables (age, sex, education, public speaking lessons, and work experience) in step 1. Because the business plan in the competition was not manipulated, we coded it as a dummy variable and also entered it as a control variable at this stage (each plan was given a random number). In step 2, we entered the two key variables—perceived passion and preparedness. Table 5 presents the results of this analysis.

Findings from Study 2 were consistent with results from Study 1; we found that overall perceived passion and preparedness explained a significant amount of unique variance in judges' investment decisions ($\Delta R^2 = 24\%$, $p < .001$). These results provide considerable support for our broad hypothesis that VCs' perceptions of entrepreneur passion and preparedness positively impact their investment-funding decisions.

A closer examination of Table 5 indicates that the explained unique variance came mainly from preparedness ($\beta = 1.69$, $p < .01$). As in Study 1's results, the effect of passion is not statistically significant ($\beta = -0.09$, n.s.). These findings support Hypothesis 2 but not Hypothesis 1. They suggest

that with our experienced judges, it was the perceived preparedness rather than the passion of the presenter(s) that significantly influenced their investment decisions.

Additional analysis. To further examine the mediating role of perceived preparedness in the business plan quality–funding decision relationship, we used the panel funding decision as an indication of business plan quality. That is, we coded the business plan that was chosen by each panel to advance to the final round as having a higher quality (coded 1) than those not chosen (coded 0). We then conducted a three-step regression analysis (Baron & Kenny, 1986) to test the mediation effect. Consistently with the results from Study 1, we found that (1) the quality of a business plan had significant effects on perceived preparedness ($\beta = 0.65$, $p < .01$) and the judges' funding decision ($\beta = 2.16$, $p < .01$); (2) perceived preparedness had a significant effect on the judges' funding decision ($\beta = 1.97$, $p < .01$); and (3) when both the quality of a business plan and perceived preparedness were entered simultaneously, the effects of both variables remained significant ($\beta = 1.71$ and 1.83 , respectively, $p < .01$). These results again suggest that perceived preparedness was a partial mediator between business plan quality and the judges' funding decisions.

In sum, results from both Studies 1 and 2 provide strong support for Hypothesis 2 but not for Hypothesis 1.

DISCUSSION

This study systematically investigated the role passion and preparedness played in VCs' investment decision making. The results support our conceptualization that in the context of business plan presentations, the passion construct has two distinct but related components—passion and preparedness. Passion is manifested through facial expressions, body movement, tone of voice, and other nonverbal cues, whereas preparedness is manifested in the verbal content and substance of a presentation.

Passion and Preparedness: Counterintuitive, Contrasting Effects

In the two studies we conducted, we found preparedness to be positively related to the VC funding decision, whereas the effects of perceived passion were statistically insignificant. We also found that preparedness partially mediated the relationship between business plan quality and the funding de-

cision. According to the unimodel of persuasion employed to ground our theoretical arguments, preparedness information is more relevant than the information on passion in a VC's mind. These findings are both counterintuitive and intriguing. The findings are counterintuitive because the affective aspect is what comes to people's mind when "passion" is mentioned; however, we found no significant effects of this variable on VCs' decisions about funding new ventures. In contrast, the VCs in our study were more receptive to cognition-based preparedness. They tended to focus on their perceptions of how prepared an entrepreneur was as a way of "feeling" the entrepreneur's passion for his or her venture. In other words, the results are more nuanced than our general understanding of passion as used in ordinary parlance.

However, these findings somewhat echo Baron's (1989) analysis of why some people are more successful than others in employing impression-management tactics to get favorable evaluations: they appear more sincere and genuine than those who are less successful. In other words, their ingratiation comes with "substance." Along the same lines, if an entrepreneur shows affective passion, yet her or his business plan lacks substance, it is as if the ingratiation is fake and manipulative, and thus unlikely to generate a positive effect. Several studies conducted by Ferris, Treadway, and colleagues (e.g., Ferris, Treadway, Perrewé, Brouer, Douglas, & Lux, 2007; Treadway, Ferris, Duke, Adams, & Thatcher, 2007) have demonstrated the importance of "sincerity" as a necessary component of successful political skills.

These findings are intriguing because, on the surface, they seem inconsistent with prior entrepreneurship research that indicates a positive relationship between passion (operationalized as intense affect or emotional expressiveness) and firm- or individual-level outcome variables such as venture growth/success (Baum et al., 2001) and entrepreneur financial success (Baron & Markman, 2000, 2003; Spence et al., 1999). However, our study differs significantly from the extant studies highlighted above in terms of the context studied and the outcome variable examined. It is conceivable that passion may be important in sustaining an entrepreneur's motivation in making a venture successful over the long term (i.e., growth) (Baum et al., 2001). However, it appears that neither the investors who played the role of VCs nor the actual VCs in our study considered it relevant in making their funding decisions, which in practice may not be unusual. This story about the managing partner of Northwest Venture Associates is illustrative: "He

[the managing partner] had the opportunity to be an early investor in a small company called Starbucks. He liked the passion of Howard Schultz but didn't understand how one would make money selling coffee, so he didn't invest" (Ouchi, 2004: c4). The theme of this passage is not unlike our findings here: it was the substance of Starbucks' business plan that seemed to have mattered to the man from Northwest Venture Associates, and not the affective passion displayed by Mr. Schultz.

We can only speculate on other possible explanations as to why the effect of perceived passion was statistically insignificant. First, compared to the general population, the judges in the business plan competition were highly educated, had significant investing experience, and had (for the most part) taken public speaking lessons. As a result, it is possible that they were more aware of the danger of emphasizing emotional expression (displayed as passion) as opposed to the substance of the business plans being presented to them. Second, the entrepreneurs in the business plan competition were also more experienced in presentation than the general population. Since substantial financial amounts were involved (i.e., \$100,000 worth of financial awards in our setting), most entrepreneurs in our field study had gone through two competitive rounds and one noncompetitive round of coaching for presentation style before entering the semifinal round of the competition. It is possible that these earlier activities reduced the possible variation in presentation styles that the judges observed.

This suggests a final possibility, a restriction of range in our data set. Perhaps in a randomly chosen large sample of entrepreneurs making their investment pitches, one would observe a greater variation in presentation styles (nonverbal cues) than was available in a restricted setting such as ours. It is likely that the role of passion may turn out to be different from what we were able to uncover. All these possibilities suggest that more research is needed to understand the role of perceived passion in the context of investment decisions.

Contributions

The present study makes several contributions to the understanding of the VC investment decision process. First, we developed perceived passion and preparedness scales that help distinguish between the affective and cognitive components involved in preparing and presenting business plans. To our knowledge, this is the first study that has developed such scales in a venture-funding context. Second, this is one of the few studies that empirically

links derived passion and preparedness constructs to VC investment decisions. As a result of the multiple approaches (qualitative, experimental, and field studies) we employed to validate and test our proposed passion construct, our study is theoretically grounded and empirically rigorous.

Third, our conceptualization of the VC funding decision as a persuasion process provides a useful perspective from which to study the interpersonal dynamics between VCs and entrepreneurs. It reveals the underlying mechanisms involved in this often “mysterious” new venture investment decision. Fourth, our use of the unimodel of persuasion to explain the role of passion and preparedness in the VC funding decision represents the application of a rigorous theoretical model in social psychology literature to a novel setting. The differential impacts on our outcome variable that we found for passion and preparedness help to establish a tentative theoretical foundation for further study of the passion construct in situations in which the social and interpersonal aspects of persuasion matter. For example, the perceived passion and preparedness scales developed for this study may have the potential to transcend the VC-entrepreneur setting and apply to a wide variety of selection contexts that involve live presentations, such as job talks in academic settings, project report presentations in corporate settings, and role auditions in the entertainment business.

Finally, our theory-driven approach to studying the effects of passion and preparedness in the context of entrepreneur-VC dynamics extends previous research on VC decision making in both scope and depth. Researchers conducting past VC funding studies have either run experiments in which simplified business plans are assessed, without the entrepreneur(s) behind the plans making a case for them (Shepherd, 1999), or they have asked participants to highlight the criteria they use to assess new venture business plans (e.g., Hall & Hofer, 1993; Hisrich & Jankowicz, 1990). In contrast, our study participants were exposed to extensive details about the business plans and were able to interact with the entrepreneurs (and entire venture teams) *in vivo*. Thus, our setting enabled us to capture investors’ subjective interpretation of information about the process, whether it related to the plan or to the person, thereby circumventing the biases that could have resulted from the post hoc self-reported assessments found in earlier studies.

Limitations

Although our initial results are promising, we recognize several limitations. The experimental

setting for Study 1 was artificial. Further, the business plan competition, although real in terms of the financial rewards, is a very specialized setting for studying the passion construct. These two conditions could limit our findings’ generalizability. Hence, more research is needed to examine passion versus preparedness in impacting business decisions in other domains such as job interviewing, hiring, promotion, and performance appraisal.

In our approach, we did not directly examine behaviors that accompany the display of passion. In reality, investors such as VCs and entrepreneurs often interact with each other on more than one occasion, and VCs get opportunities to observe entrepreneurs in different contexts. We suspect that VCs would perceive repeated behaviors as more telling of internal passion than a one-time presentation, because repeated behaviors might reflect a deeper level of involvement and commitment to a proposed venture. Hence, more research is needed to examine how the behavioral component of passion influences VCs’ judgment in contexts in which entrepreneurs and VCs interact more extensively.

Given our conceptualization of passion and preparedness in VC investment decisions, we limited our efforts to examining just a simple mediation effect of preparedness on the relationship between the quality of a business plan and a judge’s funding decision. Future research should expand our model to include more variables for examining moderating and mediating effects. For example, an entrepreneur’s qualifications and prior track record in venturing, the innovativeness of a proposed business plan, the industry in which the proposed venture belongs, and the degree of marketing or technical uncertainty pertaining to the proposed venture may all be important moderating variables. On the VC side, prior successful investing experience, preference (or bias) toward certain types of business plans, and personal preference for certain entrepreneur characteristics may also be important moderating variables in the persuasion process.

In this study, we focused solely on the communication of one’s internal experience of passion through nonverbal and verbal cues. The perceived passion and preparedness scale only captures what the perceiver thinks to be signs of a passionate presenter. Our study therefore lends further support to Baron and colleagues’ (Baron & Markman, 2000, 2003; Baron & Tang, *in press*) findings that expressiveness, or the ability to communicate one’s emotions, affects the financial performance of one’s venture. In reality, however, passion is more than just expressed and perceived emotions. Entrepreneurs’ subjective experiences and corresponding cognitions and actions might be quite different and

far richer than what outsiders can observe. Thus, future research should look beyond perceived passion and preparedness to articulate the passion construct and should explore the measurement of internally experienced passion, its antecedents, and its consequences. More research is also needed on whether experienced and exhibited passions predict different outcomes (e.g., immediate funding decision or future success), and on the different mechanisms underlying such relationships.

Implications

The findings of our study may help entrepreneurs increase the likelihood of their obtaining funding. New-product champions, "intrapreneurs," entrepreneurs, and nonprofit enthusiasts will be more effective if they are better prepared in delivering their ideas or plans. Specifically, those who have accurate and detailed knowledge about their proposals and who display a thorough understanding of the opportunities and challenges they face are in a better position to receive investment funding.

Some might argue that all the objective criteria earlier research has included (e.g., market opportunities, competition, and strategies) already address the issue of preparedness. However, our results suggest that perceived preparedness might be the "missing link" between a set of objective criteria VCs may or may not use in their investment decisions. They show that effective presentation of content is just as important as the content itself. Thus, our advice for entrepreneurs is this: If you are passionate about your business idea, do your homework and do it well; then go out and let the potential investors know that you are prepared and poised!

In summary, we believe that this study makes an important contribution to the entrepreneurship literature. It suggests that preparedness is one of the most salient cues VCs consider relevant in judging whether a business plan is worth funding or not, and that passion is a construct that scholars need to study more systematically. As W. Eugene Smith, a world-renowned photojournalist, once put it, "Passion is in all great searches and is necessary to all creative endeavors" (<http://www.smithfund.org/aboutfund/overview>). Further pursuit of the effects of passion will, we hope, improve understanding of the investment decision-making processes of VCs and others.

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