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How Good Is Entrepreneurs' Optimism For Creative Performance? Role of Entrepreneurs' Experience And Environmental Dynamics

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Abstract: This study investigates the relationship between entrepreneurs' dispositional optimism and the creative performance of their new ventures. While optimism is generally regarded as a positive entrepreneurial trait, this research explores whether excessive optimism may, under certain conditions, undermine creative outcomes. Drawing on social cognitive theory, the study surveyed 1,000 new ventures across Pakistan using a stratified random sampling technique. Data were collected from 231 top-level founding entrepreneurs using validated psychometric scales. Hierarchical regression and interaction analyses were conducted to examine the direct and moderated effects of optimism on creative performance. Results reveal a significant negative association between high levels of dispositional optimism and creative performance. This effect is intensified by two moderating variables: prior entrepreneurial experience and environmental dynamism. Specifically, optimism has the most detrimental impact on creativity among experienced entrepreneurs operating in highly dynamic industry environments. A three-way interaction analysis confirmed that these contextual factors amplify the adverse consequences of excessive optimism. Although optimism is often considered a vital entrepreneurial trait, this study demonstrates that its effects on creativity are not universally positive. Instead, excessive optimism, when paired with experience and environmental volatility, can impair decision-making and reduce creative output. These findings highlight the importance of balancing optimism with realism in entrepreneurial settings. Educators and practitioners should promote self-regulation and metacognitive strategies to help entrepreneurs channel their optimism effectively. The study also encourages a nuanced approach to entrepreneurial training and theory, emphasizing the need to account for dispositional traits in context.

Keywords: Entrepreneur Optimism, Creative Performance, Entrepreneurs' Experience, Environmental Dynamics, Social Cognitive Theory

1. Introduction

Given the significant role that new ventures play in driving economic development across most industrialized nations (Sternberg & Wennekers, 2005), it is remarkable that entrepreneurs persist in launching creative businesses despite the considerable challenges they encounter (Dosi & Lovallo, 2000; Rego, Sousa, Marques, & Cunha, 2012). This persistent entrepreneurial drive in the face of adversity suggests a high degree of dispositional optimism. Indeed, existing research indicates that such individuals often perform exceptionally well when evaluated on this personality trait (Fraser & Greene, 2006; Icekson, Roskes, & Moran, 2014). For example, Cooper, Woo, and Dunkelberg (1988) found that entrepreneurs tend to exhibit high levels of optimism, regardless of their actual preparedness to manage a business. Similarly, Busenitz and Barney (1997) demonstrated that entrepreneurs are more likely than corporate executives to overestimate the accuracy of their judgments and extrapolate excessively from limited information.

This consistent tendency toward optimism among entrepreneurs raises a critical question: How does optimism affect the creative performance of new ventures? While some studies have explored the relationship between optimism and entrepreneurial success, others suggest that excessive optimism may contribute to the high failure rates among start-ups (Gartner, 2005). Indeed, growing empirical evidence indicates that over-optimism can impair judgment, weaken decision-making abilities (Aspinwall, Sechrist, & Jones, 2005; Åstebro, Jeffrey, & Adomdza, 2007), and hinder overall performance (Adeel, Kee, & Daghriri, 2022; Hmieleski & Baron, 2009). Therefore, it is plausible that optimism, while potentially beneficial, may also adversely affect entrepreneurs' strategic decisions and limit their capacity to effectively manage new ventures.

To better understand this paradox, Bandura's (1986) social cognitive theory offers a valuable conceptual lens. This theory posits that the impact of personal traits, such as optimism, is determined by their interaction with behavioral and environmental factors (Wood & Bandura, 1989). By integrating dispositional, behavioral, and contextual elements, social cognitive theory enables a more holistic

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examination of human behavior and its consequences than approaches that focus on a single level of analysis. This theoretical framework is particularly relevant to entrepreneurship, where scholars have increasingly emphasized the need to identify mechanisms through which individual traits influence firm-level creativity (Adeel, Batool, & Hung, 2023; Baron, 2007; Wright, Hmieleski, Siegel, & Ensley, 2007).

Moreover, the core principles of social cognitive theory align closely with the multilevel perspective proposed by Hitt, Beamish, Jackson, and Mathieu (2007), which argues that complex organizational phenomena, such as creative performance in new ventures, require analysis across multiple levels, including individual, group, organizational, and environmental. Accordingly, this study examines how entrepreneurs' dispositional optimism interacts with two critical factors: their prior entrepreneurial experience and the environmental dynamism of their industry. This multilevel approach allows us to capture the nuanced interplay between personal traits and contextual conditions.

This investigation contributes to the literature in several meaningful ways. First, most empirical studies on optimism rely on samples drawn from populations such as students or factory workers. While useful, these samples lack relevance for entrepreneurs, who typically exhibit unusually high levels of optimism (Fraser & Greene, 2006; Lowe & Ziedonis, 2006). Therefore, this study focuses specifically on entrepreneurs, allowing for more targeted insights into how optimism functions at elevated levels of dispositional intensity.

Second, drawing on insights from both social cognitive theory and the multilevel research paradigm (Barden & Mitchell, 2007; Hitt et al., 2007), this study recognizes that the effects of individual traits are shaped by their interaction with key environmental variables. Earlier work in entrepreneurship (Shaver & Scott, 1992) and organizational behavior (House, Shane, & Herold, 1996) has been criticized for neglecting such contextual considerations. To address this gap, we adopt a framework that acknowledges the interdependent relationships between individual disposition, behavior, and environment in shaping entrepreneurial outcomes, specifically, the creative performance of new ventures.

Finally, this study addresses a practically important issue, consistent with Hambrick's (2007) call for scholars to bridge theory and application. Specifically, it explores how entrepreneurs might be taught to recognize and regulate their inherent optimism in order to transform this trait into a strategic asset rather than a liability. By doing so, we seek to offer actionable insights into how entrepreneurial optimism can be harnessed to enhance new venture creativity, rather than undermine it (Batool, Ibrahim, & Adeel, 2023).

2. Literature Review, Theory, and Hypotheses

2.1. Entrepreneurs' Optimism

Entrepreneurs are widely recognized for their optimistic outlook, a trait particularly relevant in the context of uncertainty and risk inherent in new venture creation. This study focuses specifically on dispositional optimism, defined as a person's general expectation that favorable outcomes will occur (Scheier, Carver, & Bridges, 2001). While optimism can serve as a motivational asset, excessive optimism has been increasingly scrutinized for its potential drawbacks. Highly optimistic individuals tend to hold inflated expectations, disregard negative feedback, and reinterpret adverse events to align with their hopeful worldview (Geers & Lassiter, 2002). By contrast, individuals with moderate levels of optimism are more likely to adopt a nuanced perspective and make balanced evaluations of risk and reward (Spencer & Norem, 1996).

Conversely, pessimistic individuals tend to be less persuaded by positive evidence, more attuned to negative cues, and less likely to overlook inconsistencies in information (Geers, Handley, & McLarney, 2003; Segerstrom, 2001; Spirrison & Gordy, 1993). These cognitive styles suggest that extreme optimism, especially among entrepreneurs, may result in flawed decision-making and suboptimal outcomes.

Empirical research further supports a curvilinear relationship between optimism and performance across various domains (Brown & Marshall, 2001). Individuals with very low levels of optimism often suffer from diminished motivation, believing that failure is inevitable regardless of effort. They tend to focus excessively on negative information, leading to lower overall performance (Adeel, Batool, & Madni, 2023). In contrast, moderate optimists set realistic goals, are receptive to both positive and negative environmental cues, and generally outperform others due to their balanced outlook. On the other hand, excessively optimistic individuals often establish unattainable objectives and place undue faith in their capabilities. They are also more likely to focus only on confirming evidence while ignoring warning signs, which ultimately hampers their productivity and creative performance.

Therefore, while optimism can enhance performance up to a certain threshold, surpassing that point appears to reduce effectiveness. This inverted U-shaped dynamic becomes particularly relevant when applied to entrepreneurs, who typically exhibit optimism levels ranging from moderate to exceptionally high (Adeel et al., 2019; Busenitz & Barney, 1997; Cooper et al., 1988; Fraser & Greene, 2006; Lowe & Ziedonis, 2006; Zhang et al., 2018). Consequently, entrepreneurs may occupy the declining segment of the optimism-performance curve, where further increases in optimism lead to diminished returns. This perspective, combined with prior research highlighting the negative impacts of excessive optimism on judgment and decision-making (Ika & Feeny, 2022; Li, Yang, & Hu, 2022; Segerstrom & Nes, 2006; Usán, Salavera, & Quílez-Robres, 2022), leads to the following hypothesis:

Hypothesis 1: *The creative performance of entrepreneurs' newly established ventures is negatively associated with their level of dispositional optimism.*

2.2. Moderating Effects of Entrepreneurial Experience

Experience in launching multiple ventures, often referred to as habitual or serial entrepreneurship, is a widely acknowledged form of expertise in the entrepreneurship literature (Wright et al., 2007). Such experience provides entrepreneurs with valuable resources, including expanded networks (Adeel, Sarminah, et al., 2023; Ucbasaran et al., 2010), knowledge about funding mechanisms (Toft-Kehler et al., 2014), and improved managerial and technical capabilities (Wright et al., 1997). Furthermore, it fosters "enactive mastery" and serves as a powerful source of self-efficacy (Zhao, Seibert, & Hills, 2005).

It is reasonable to assume that experience may temper the negative effects of excessive optimism. However, this assumption warrants deeper scrutiny. Research shows that highly optimistic individuals often fall victim to confirmation bias, selectively attending to information that supports their preexisting beliefs while ignoring contradictory evidence (Klayman & Ha, 1987). Although experienced entrepreneurs typically possess better analytical strategies (Baron, 2007; Ika & Feeny, 2022; Usán et al., 2022), those who are also highly optimistic may still engage in biased processing. Consequently, they may develop overconfidence, which can be detrimental to both the survival and growth of their ventures (Hayward, Shepherd, & Griffin, 2006).

Moreover, experienced entrepreneurs tend to encounter a wider array of opportunities due to their broader networks and more refined cognitive frameworks (Ozgen & Baron, 2007). However, this can lead to "opportunity overload," especially for highly optimistic individuals who are inclined to pursue too many ventures simultaneously. This dispersion of focus and resources often results in suboptimal performance and strategic inconsistency (Baker & Nelson, 2005; Li et al., 2022). Therefore, it is plausible that entrepreneurial experience, rather than moderating optimism in a positive way, may amplify its detrimental effects under conditions of excessive optimism.

Based on these insights and grounded in social cognitive theory, we propose the following:

Hypothesis 2: *The relationship between entrepreneurs' dispositional optimism and the creative performance of their ventures is moderated by prior entrepreneurial experience, such that the negative association is stronger for entrepreneurs with higher levels of experience.*

2.3. Moderating Effects of Environmental Dynamism

Dynamic environments are characterized by unpredictability, rapid changes, and heightened uncertainty for individuals and organizations alike (Dess & Beard, 1984). While such contexts often create new opportunities for innovation and entrepreneurship (Alim et al., 2022; Luo et al., 2022; Rosenbusch, Rauch, & Bausch, 2013), they also present substantial cognitive and operational challenges. Entrepreneurs navigating dynamic environments must cope with volatile market signals, heightened competitive pressure, and the need for frequent strategic adaptation (Ahmed et al., 2022; Adeel et al., 2019; Stephan et al., 2022).

However, high levels of optimism may prove to be a liability rather than an asset in such conditions. Optimists tend to downplay threats, exhibit complacency, and struggle with effective risk appraisal (Hayward et al., 2006; McKenzie, 1997). While optimism can buffer stress (Luthans & Youssef, 2004), overly optimistic entrepreneurs may fail to make timely, data-driven decisions in fast-changing environments. Their lack of attentional focus and overconfidence can hinder their ability to adapt and respond to emerging threats or opportunities.

Furthermore, dynamic environments require entrepreneurs to recognize and interpret complex and evolving signals. Overly optimistic individuals may misread environmental cues, projecting past patterns onto current conditions and thereby making flawed strategic choices (Matsunaga, 2022). Empirical research suggests that optimism is negatively related to situational awareness, further compounding the difficulty of operating in volatile contexts (Eid et al., 2005).

Therefore, in line with social cognitive theory, which emphasizes the interplay between personal disposition and environmental demands, we hypothesize the following:

Hypothesis 3: *The relationship between entrepreneurs' dispositional optimism and the creative performance of their ventures is moderated by environmental dynamism, such that the negative association is stronger in dynamic environments than in stable ones*.

3. Methodology

3.1. Sample And Procedure

To conduct this study, a nationwide random sample of 1,000 newly established ventures was drawn from the database of the National Incubation Center (NIC) in Islamabad, one of the most comprehensive registries of emerging businesses in Pakistan. This database was developed in collaboration with the Government of Pakistan and primarily includes firms registered with the Securities and Exchange Commission of Pakistan (SECP). Registration with SECP is a standard requirement for start-ups in Pakistan to establish credit histories, which are

used by other businesses when making critical decisions such as extending credit, forming partnerships, or leasing assets.

The SECP provided contact information, including names, postal addresses, and the identities of chief executive officers (CEOs), all of whom were also founding members of their respective firms. Each potential respondent received a survey package containing a structured questionnaire, a cover letter explaining the study's purpose, and a prepaid business reply envelope to encourage participation.

A total of 231 completed surveys were returned, while 193 were undeliverable, which was expected given SECP estimates that approximately 20% of registered businesses update their contact information annually. After excluding seven responses due to incomplete performance data, the usable response rate was 22.4%. This response rate aligns with prior research involving similar samples of senior executives (Hmieleski & Ensley, 2007; Waldman, Ramirez, House, & Puranam, 2001).

To assess non-response bias, independent t-tests were conducted on several demographic and firm-level characteristics, including respondent gender, firm age, annual turnover, and number of employees. The results of these tests were not statistically significant, suggesting that non-response bias was not a concern in this dataset.

All respondents were confirmed to be both founders and current top management team leaders within their organizations. The demographic breakdown revealed an average respondent age of 48 years, with 198 male and 26 female participants. Regarding education, 78 respondents held high school diplomas, 108 had bachelor's degrees, and 38 possessed master's degrees.

The average age of participating ventures was 5.82 years, consistent with previous findings that the first six years represent a critical developmental phase for new businesses (Shrader, Oviatt, & McDougall, 2000). This early stage is typically marked by foundational growth and the emergence of key performance indicators, such as profitability and employment expansion. However, these metrics may be less stable or relevant in the earlier stages of organizational life.

Finally, the sample was highly diverse, encompassing ventures from 143 distinct industries and all geographic regions of Pakistan. Importantly, no more than three firms came from the same industry, and no more than four were from the same region. Therefore, industry and regional clustering effects were unlikely to influence the results, ensuring the generalizability of findings across sectors and locations.

3.2. Measures

Entrepreneurial Optimism was assessed using the Life Orientation Test-Revised (LOT-R) developed by Scheier, Carver, and Bridges (1994). This six-item scale captures an individual's general tendency to expect positive outcomes. Example items include: *"I generally anticipate the best amid ambiguous environments"* and *"Generally, I anticipate more good than negative things happening to me."* Responses were recorded on a seven-point Likert scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*). All item scores were summed to create a composite measure, where higher scores indicated a stronger dispositional optimism, while lower scores reflected a more pessimistic outlook.

Scheier et al. (1994) demonstrated the test–retest reliability of the LOT-R across four different time intervals (4, 12, 24, and 28 months), yielding correlation coefficients of .68, .60, .56, and .79, respectively. These results support the instrument's temporal stability and suitability for assessing dispositional traits. In the present study, the scale achieved a Cronbach's alpha of 0.80, indicating acceptable internal consistency.

Entrepreneurial Experience was operationalized as the number of prior ventures founded by the respondent, consistent with the approach used in earlier studies (Stuart & Abetti, 1990). Respondents were asked to report *"the number of new enterprises established prior to the formation of your current firm."* Reported values ranged from 0 to 6, with 91 participants (nearly 50%) indicating prior entrepreneurial experience. Unlike previous studies that used a dichotomous coding scheme (e.g., 0 = no prior ventures, 1 = one or more prior ventures) (Cooper, Folta, & Woo, 1995; Forbes, 2005), the present study retained the actual count as a continuous variable. This approach was chosen to reflect the accumulative nature of entrepreneurial learning, as each new venture offers opportunities to acquire relevant knowledge and enhance entrepreneurial competencies (Adeel, Sarminah, et al., 2023; Zhao et al., 2005; Wright et al., 1997).

Environmental Dynamism was measured by estimating the degree of unpredictability and change at the industry level, following the methodology of Dess and Beard (1984), Keats and Hitt (1988), and Sharfman and Dean Jr (1991). Specifically, the standard errors of four time-series regressions, each using time as the independent variable, were computed to capture the variability in (a) industry revenues, (b) number of firms in the industry, (c) percentage of industry employment, and (d) industry-level R&D intensity. These variables were selected based on their documented relevance to industry change and innovation (Castrogiovanni, 2002; Dess & Beard, 1984).

After calculating the standard errors for each industry over a ten-year period, the values were standardized and combined to form a composite index of environmental dynamism. A single-factor confirmatory factor analysis (CFA) using AMOS 6.0 confirmed that the four variables loaded adequately on one latent factor. Model fit indices were satisfactory (GFI = .98; SRMR = .05; CFI = .97), and the chi-square value was non-significant ($\chi^2 = 2.36$, p

= .13). Standardized factor loadings ranged from .69 to .87. The index achieved a Cronbach's alpha of .69, which, while modest, falls within an acceptable range for exploratory research.

Organizational Creativity was assessed using two items adapted from Amabile, Burnside, and Gryskiewicz (1995), which captured participants' perceptions of creativity within their business unit. The items included: *"My area of this organization is creative"* and *"My area of this organization is innovative."* Respondents rated each statement on a five-point Likert scale ranging from 1 (*never*) to 5 (*always*). These items have been used in prior studies to assess perceived creativity in organizational settings.

Control Variables were included at both the firm and individual levels to isolate the unique effects of the primary variables. At the organizational level, controls included firm age, turnover, and number of employees during the year of the survey, as well as average revenue and employment growth over the previous three years. To reduce multicollinearity, firm size was computed by standardizing and summing the turnover and employment figures for the current year, while prior firm growth was derived by aggregating standardized growth rates for revenue and employment across the preceding three years.

At the individual level, controls included the respondent's gender (coded as 0 for male and 1 for female), age (in years), and highest educational attainment (coded categorically as high school, bachelor's, or master's degree). These demographic variables were collected at the conclusion of the survey to contextualize respondent profiles and support robustness checks in the regression models.

4. Results

Table 1 presents the descriptive statistics for all key variables, while Table 2 summarizes the outcomes of the hierarchical regression analyses predicting creative performance. Figures 1 through 3 provide graphical representations of the interaction effects tested in the models. The results corresponding to each hypothesis are discussed separately below.

Table 1: Descriptive Statistics of Variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9
Organizational age	5.72	2.38									
Organizational size	0.00	1.78	-0.21								
Organizational growth	0.00	1.82	-0.24	0.29							
Entrepreneur age	42.81	8.94	-0.33	0.27	-0.21						
Entrepreneur gender	0.17	0.38	0.27	0.28	0.27	0.29					
Entrepreneur education	2.71	1.16	-0.24	-0.30*	-0.10	0.24*	0.34*				
Entrepreneur optimism	5.78	0.89	0.32	0.27	0.33	0.43*	0.22	0.24			
Entrepreneur experience	0.93	1.31	-0.33	0.32	0.23*	0.12	0.16	0.33	-0.43		
Environmental dynamism	17.21	12.21	-0.08	0.22*	0.26	0.24	0.01*	-0.42	0.55	0.52*	
Creative performance	1.81	1.62	-0.24	0.38	0.13	0.23*	0.23	0.42*	0.43	0.24	0.51*

*Source: Calculated by the author. n = 224; 0 = Female, 1 = Male*p < .05. **p < .01*

The findings from Models 1 and 2 in Table 2 indicate that the relationship between entrepreneurial optimism and creative performance is both statistically significant and negative ($\beta = -0.78$, $p < .05$). This result provides empirical support for Hypothesis 1, which proposed that higher levels of dispositional optimism among entrepreneurs would be associated with lower creative performance in newly established ventures.

Further insights emerge from Model 3, which tests the moderating role of entrepreneurial experience. The interaction term between optimism and prior entrepreneurial experience is significant and negative, indicating that the adverse effect of optimism on creative performance is more pronounced among entrepreneurs with greater experience. Figure 1 graphically illustrates this interaction: as entrepreneurial experience increases, the negative relationship between optimism and creative performance becomes stronger. In contrast, for entrepreneurs with limited or no prior experience, the relationship appears relatively weak or even negligible. These results confirm Hypothesis 2.

Table 2: Results of Regression Models of Creative Performance

Variables	Model 1 Creative Performance		Model 2 Creative Performance		Model 3 Creative Performance		Model 4 Creative Performance	
	Estimate	*t*	Estimate	*t*	Estimate	*t*	Estimate	*t*
Control Variables								
Organizational level								
Organizational age	0.00	0.26	0.02	0.28	0.02	0.31	0.00	0.26
Organizational size	0.04	0.87	-0.03	0.92	0.05	0.97	0.04	0.87
Organizational growth	0.18*	1.96	0.17*	1.96	0.16*	1.96	0.18*	1.96
Individual level								
Entrepreneur age	-0.06	1.07	-0.07	1.09	-0.06	1.07	-0.06	1.07
Entrepreneur gender	0.02	0.07	0.04	0.08	0.05	0.09	0.02	0.07
Entrepreneur education	-0.11	0.98	-0.12	0.10	-0.13	0.10	-0.11	0.93
Main Effects								
Entrepreneur optimism			-0.78*	2.13	0.94**	2.98	-0.73**	3.01
Entrepreneur experience			0.12	0.68	0.38*	1.98	-0.34**	2.12
Environmental dynamism			0.11	0.86	0.81	0.73	0.23*	1.97
Interaction Effects								
Entrepreneur optimism X Entrepreneur experience					-0.53*	1.98	0.36*	1.99
Entrepreneur optimism X Environmental dynamism					-0.14**	2.76	-0.58**	2.72
Entrepreneur experience X Environmental dynamism					0.11	1.42	0.24*	1.97
Entrepreneur optimism X Entrepreneur experience X Environmental dynamism							-0.38**	2.63
f 2	1.56		1.87		3.78**		4.75**	
R^2	0.06		0.09		0.21		0.26	
Adjusted R^2	0.02		0.05		0.15		0.16	

*Source: Calculated by the author. n = 224; 0 = Female, 1 = Male, *p < .05. **p < .01*

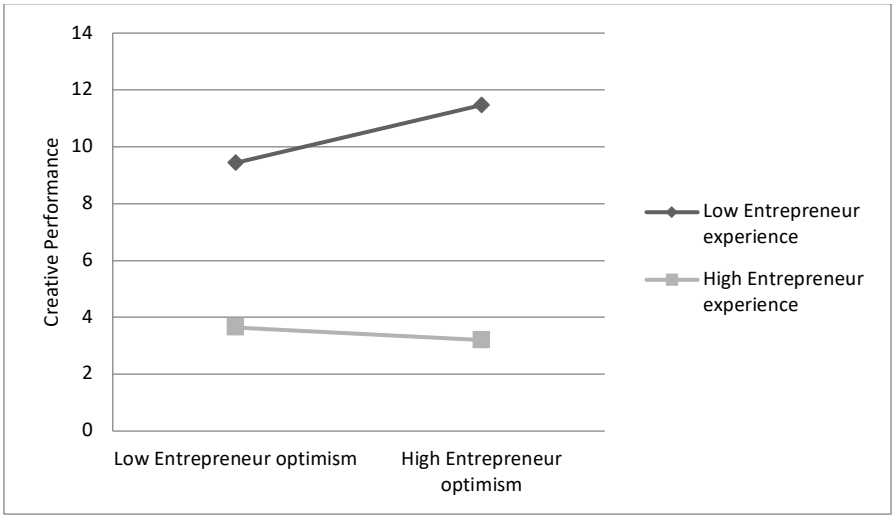

Figure 1: Interaction Effect of Entrepreneur Optimism and Entrepreneur Experience on Creative Performance

Model 3 also examines the moderating role of environmental dynamism. The interaction between optimism and environmental dynamism is significant and negative, suggesting that the detrimental impact of optimism on creative performance is exacerbated under conditions of high environmental uncertainty. Figure 2 depicts this effect, showing that entrepreneurs operating in dynamic environments report lower creative performance compared to those in stable environments when optimism is high. These findings provide support for Hypothesis 3.

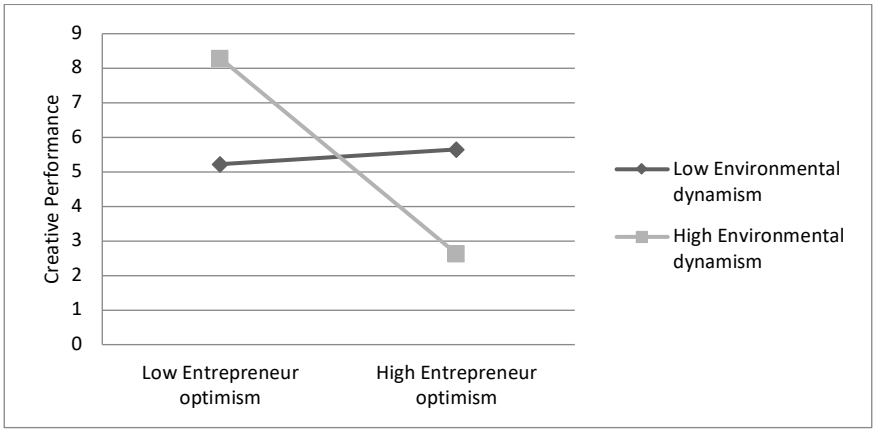

Figure 2: Interaction Effect of Entrepreneur Optimism and Environmental Dynamism on Creative Performance

Finally, Model 4 introduces the three-way interaction among optimism, entrepreneurial experience, and environmental dynamism. The interaction term is significant and negative, indicating that the combined effect of high optimism, extensive entrepreneurial experience, and operating in a dynamic environment produces the most adverse outcomes for creative performance. Figure 3 illustrates that when both entrepreneurial experience and environmental dynamism are high, the negative influence of optimism on creative performance reaches its peak. Therefore, these results suggest that the moderating factors do not operate in isolation but instead interactively amplify the effects of optimism, consistent with the theoretical expectations derived from the social cognitive framework.

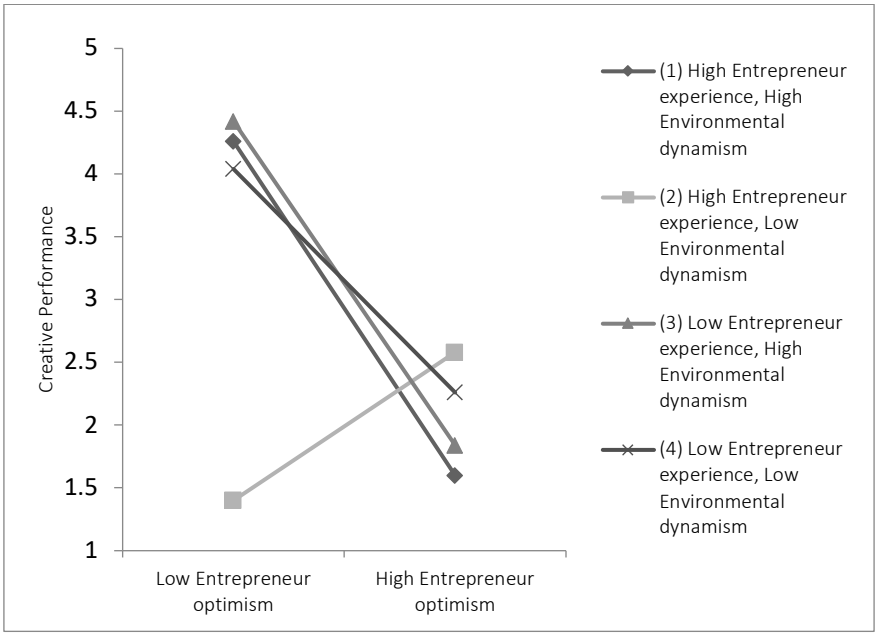

Figure 3: Interaction Effect of Entrepreneur Optimism, Entrepreneur Experience, and Environmental Dynamism on Creative Performance

5. Discussion

The findings of the present study reveal a generally negative relationship between entrepreneurs' dispositional optimism and the creative performance of their new ventures. This result contrasts with the traditionally positive framing of optimism in entrepreneurship research, where optimism has often been portrayed as a driving force behind entrepreneurial motivation, persistence, and resilience (Scheier, Carver, & Bridges, 2001; Fredrickson, 2001). While previous studies, such as Hmieleski and Baron (2009), demonstrated that optimism can enhance new venture performance, our findings suggest that when optimism becomes excessive, particularly in complex or uncertain contexts, it may undermine creative performance rather than support it.

This study builds on and partially contradicts earlier work by Fraser and Greene (2006), who noted that experienced entrepreneurs tend to maintain high levels of optimism regardless of their past outcomes. While experience might be expected to moderate or correct cognitive biases, our results show the opposite: entrepreneurial experience amplifies the negative impact of optimism on creative output. This finding is also aligned with Hayward, Shepherd, and Griffin (2006), who argued that overconfident, habitual entrepreneurs are more likely to suffer from hubris, leading to poor decision-making and risk miscalculation.

Moreover, the role of environmental dynamism as a moderator strengthens previous findings by Rosenbusch, Rauch, and Bausch (2013), who observed that high uncertainty environments place greater cognitive demands on decision-makers. Our results indicate that overly optimistic entrepreneurs perform worse in dynamic contexts, which echoes the concerns raised by McKenzie (1997) and Eid et al. (2005) about the reduced situational awareness and poor strategic alignment linked to inflated optimism.

Additionally, our post hoc analysis revealed that the combination of high optimism, high experience, and dynamic environments produces the strongest negative effects on creative performance. This three-way interaction suggests a compounding vulnerability among seasoned entrepreneurs who face complex conditions but remain overly confident in their judgments. This insight contributes to a more nuanced understanding of how multiple factors interact to shape entrepreneurial effectiveness, extending beyond what has been observed in two-way moderation models in prior studies.

From a theoretical standpoint, these findings are consistent with social cognitive theory (Bandura, 1986), which argues that personal traits influence behavior only in interaction with contextual and environmental factors. Similarly, the study supports the multilevel perspective emphasized by Hitt et al. (2007), which advocates for integrating individual and situational levels of analysis to understand complex organizational outcomes.

In sum, while prior studies have generally highlighted the positive effects of optimism on entrepreneurial outcomes, this research contributes a critical counterpoint by demonstrating that excessive optimism can be detrimental, especially when combined with prior experience and environmental volatility. These findings underscore the importance of calibrated optimism, where entrepreneurs maintain a hopeful outlook while remaining grounded in data, feedback, and strategic adaptability.

6. Theoretical Contributions

All the findings of the present study contribute significantly to the theoretical understanding of entrepreneurial behavior by highlighting a largely overlooked aspect of dispositional traits, the potential downside of excessive optimism. Specifically, the results indicate that high levels of optimism among entrepreneurs may adversely affect the creative performance of their ventures. As supported by prior research, individuals with excessive optimism tend to hold unrealistic expectations, display overconfidence, and disregard critical or contradictory information (Geers & Lassiter, 2002; Segerstrom & Nes, 2006). These tendencies, as evidenced in our findings, can impair decision-making and reduce the effectiveness of creative strategies in early-stage ventures.

However, it is important to recognize that the relationship between optimism and performance is not strictly negative. Prior literature suggests that under certain circumstances, optimism can offer tangible advantages. For example, it has been linked to improved capacity for relationship-building (Fredrickson, 2001), greater resilience under stress (Tugade & Fredrickson, 2004), persistence in the face of obstacles (Markman et al., 2005), and an expanded ability to form social networks (Greve & Salaff, 2003), a factor widely acknowledged as critical to entrepreneurial success (Ozgen & Baron, 2007). Therefore, although our findings suggest a negative association between optimism and creative performance, this relationship may be nonlinear or context-dependent. Specifically, there may be an optimal level of optimism beyond which its positive effects begin to decline, a curvilinear pattern consistent with previous theoretical work (Brown & Marshall, 2001).

Similarly, the literature on environmental dynamism has produced mixed results. While some studies suggest that dynamic environments foster innovation (Mutonyi, Slåtten, & Lien, 2020; Shaw & Choi, 2023), others highlight the risks of failure under volatile conditions (Markides & Geroski, 2004). Our findings suggest that in such unpredictable contexts, certain behavioral and cognitive attributes, such as moderate optimism coupled with extensive entrepreneurial experience, can either mitigate or exacerbate these risks.

In conclusion, this study advances the theoretical understanding of entrepreneurship by integrating social cognitive theory (Bandura, 1986) with a multilevel framework (Hitt et al., 2007). The interaction between personal disposition, behavioral history, and contextual uncertainty illustrates why prior studies have struggled to identify consistent associations among entrepreneurial optimism, experience, and creative performance. Our results underscore that these relationships are not straightforward but instead are highly contingent on moderating variables, a complexity that has been underappreciated in previous empirical models.

7. Implications for Entrepreneurship Educators and Practitioners

The results of this study offer several practical insights for entrepreneurship training, leadership development, and venture advisory services. They reinforce the caution expressed by Dosi and Lovallo (2000) that entrepreneurs must strike a balance between aspirational optimism and grounded realism. This balance is particularly critical during early-stage decision-making, where overconfidence may lead to resource misallocation or inflated expectations.

One potential strategy is to ensure that entrepreneurs are surrounded by advisors or top management team members who possess differing levels of optimism or are inclined to apply external perspectives to forecast risks more accurately (Hayward, Shepherd, & Griffin, 2006). However, implementing such structural balance can be difficult in practice. Research has shown that individuals tend to be drawn to

collaborators with similar psychological dispositions (Baron, Byrne, & Branscombe, 2006), meaning that optimists often prefer working with others who share their outlook (Hiller & Hambrick, 2005). This affinity can lead to groupthink and reduce critical evaluation.

Therefore, entrepreneurship education and mentoring programs should place greater emphasis on developing self-regulation mechanisms, especially in relation to managing dispositional traits like optimism. Entrepreneurs should be trained not only to remain positive but also to recognize when to moderate their enthusiasm and adopt a more cautious stance. This could be facilitated by meta-cognitive tools that help individuals reflect on their thought processes, biases, and decision-making heuristics. Those who learn to effectively regulate their optimism may be better equipped to foster creativity while remaining responsive to challenges and market feedback.

8. Limitations and Suggestions for Future Research

Despite the contributions of this study, several limitations must be acknowledged. First, while the findings demonstrate how context moderates the relationship between optimism and creative performance, they do not directly investigate the underlying cognitive mechanisms. For example, prior research suggests that high levels of optimism are associated with heuristic decision-making, while moderate optimism tends to encourage more systematic processing (Scheier, Carver, & Bridges, 2001). Furthermore, habitual entrepreneurs are often more reliant on instinct than novices (Brigham, De Castro, & Shepherd, 2007; Buttner & Gryskiewicz, 1993). Future research could investigate whether these cognitive styles mediate the effects observed in the present study.

Second, additional behavioral and environmental variables warrant investigation. Factors such as spontaneity (Hmieleski & Ensley, 2007) or resource abundance (Sharfman & Dean Jr, 1991) could interact with optimism in shaping creative outputs. Examining these elements could provide a more comprehensive picture of the psychological and contextual drivers of entrepreneurial innovation.

Third, the generalizability of the findings is limited due to the specific focus on new ventures and the characteristics of their founders. Entrepreneurs, by nature, are more likely to exhibit moderate to high levels of optimism (Busenitz & Barney, 1997; Fraser & Greene, 2006; Lowe & Ziedonis, 2006), and the current results may not extend to populations with lower optimism or to more established corporate leaders. Additionally, leadership effectiveness often depends on the stage of organizational development. During the early conceptualization and launch phases, high optimism may be more beneficial than in later stages of consolidation and scaling (Batool, Ibrahim, & Adeel, 2023; Elkhwesky et al., 2022; Terkamo-Moisio et al., 2022). Longitudinal research tracking ventures across different life-cycle stages could yield more nuanced insights into when and how optimism supports or undermines creative performance.

Finally, the cross-sectional design of this study limits the ability to draw definitive causal inferences. Although independent variables were measured prior to the dependent variable, only longitudinal data can reveal the directionality and stability of the relationships over time. Future studies employing time-lagged or panel designs would be valuable for testing the reciprocal relationships proposed by social cognitive theory and further validating the observed moderation effects.

9. Conclusion

This study offers a critical reassessment of the role of dispositional optimism in entrepreneurial contexts by uncovering its nuanced and, at times, detrimental association with new venture creative performance. Contrary to the prevailing assumption that optimism is universally advantageous, our findings suggest that excessive optimism may impair creativity and innovation among entrepreneurs, particularly when compounded by high levels of prior entrepreneurial experience and heightened environmental dynamism.

By grounding the investigation in social cognitive theory, the study underscores the importance of viewing dispositional traits not in isolation, but as part of a dynamic interplay with behavioral history and environmental context. The discovery of significant moderation effects highlights the complexity of entrepreneurial cognition and calls for a more refined understanding of how personal attributes interact with situational variables to shape venture outcomes.

Theoretically, the research challenges simplified models that assume linear relationships between personality traits and performance, advocating instead for context-specific, multilevel approaches that account for variability in both individual dispositions and environmental conditions. Practically, the study urges entrepreneurship educators, advisors, and practitioners to reconsider how traits like optimism are nurtured and managed. It suggests the need for tools and training programs that promote self-awareness, metacognition, and regulatory mechanisms to help entrepreneurs temper their optimism with realism, particularly in uncertain and fast-changing environments.

Ultimately, the findings contribute to a more sophisticated and realistic understanding of entrepreneurial psychology by recognizing that the very traits often celebrated as essential for entrepreneurial success, such as optimism, may also carry hidden liabilities when unchecked or mismatched with the demands of context. This insight opens avenues for future research to further explore the conditions under which optimism is productive versus counterproductive, thereby informing both scholarly theory and applied entrepreneurial practice.

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