



### **When in Doubt? Entrepreneurship and Political Extremes**

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In 2022, more than half of all global respondents to a Statista Research poll said political division in their country is at a historic high. Political extremism seems to be on the rise around the world, but is adopting an extreme political ideology ever conducive to being an entrepreneur? I study extreme cases – political extremists – to learn more about when entrepreneurs should doubt their beliefs and when they should double down.

#### **Political extremism and doubt**

Any political ideology offers a lens for understanding our social and economic realities. Extreme political ideologies, however, are unique in how confident followers are that theirs is the correct interpretation. Past research shows that people are tempted by extreme political ideologies after a distressful event disrupts their existing sense of how the world works and their place within it. The ideologies are enticing because they simplify a world that would otherwise seem chaotic, making it easier for followers to believe that they understand it fully.

Consider a recent example – the purported political extremity of one prominent electric vehicle founder. Convinced of the correctness of his policy preferences, he ignored signs that acting on them would be inconsistent with the values of likely customers. “It really came as quite a shock to me,” he said when asked to reflect on the backlash.

Building on past research evidencing a link between overconfidence and resistance to correction, I expected that because extremists are convinced that they already understand the environment, they should be less likely to seek out more information about it and thus more likely to make the kinds of mistakes that kill nascent businesses. I examined the political ideologies of respondents to a global survey of 17,250 full-time salaried and self-employed workers covering the period 2011-2016 to see if this was the case. As expected, the extremity of political belief was negatively associated with being an entrepreneur.

#### **Location, location, location**

Yet not all business contexts are created equal. Where government struggles to serve people and businesses, seeking out more information about an unfavorable environment could convince prospective entrepreneurs to avoid or delay action. In this case, being able to tune out negative information should give political extremists an edge over centrists. In line with this idea, I found that where government is lacking, the negative connection between political extremism and being an entrepreneur is less severe.

**The bottom line**

So, how much should entrepreneurs doubt what they believe about the environment? What we learn from studying political extremists is that it depends. On average, entrepreneurs should be open to taking in more information as it becomes available. Yet, for entrepreneurs in environments where other people are in a holding pattern of analysis paralysis, decisive action is key.

**Key takeaways for entrepreneurs:**

1. **Practice moderation.** On average, having enough doubt to seek out more information about the environment helps entrepreneurs avoid making the kinds of mistakes that kill nascent businesses.
2. **Where others waffle, be decisive.** Entrepreneurs in institutional voids should find ways to overcome their doubts and be decisive where they can. Opportunities are often passing, and decisive entrepreneurs may be able to take advantage of others' procrastination.
3. **Remember political extremism can deteriorate institutions.** Other research suggests that mass shifts to political extremism can deteriorate the quality of institutional environments further. To overcome doubt, entrepreneurs should consider adopting alternative beliefs.

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