

“How Mental Health Shapes Venture Performance: A Longitudinal Study of Mechanisms”

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Abstract:

Entrepreneurs face uniquely demanding working conditions that subject them to sustained psychological pressures, yet the consequences of mental health decline for the ventures they operate remain poorly understood. **In this registered report**, we develop and empirically test a framework examining how *and* why within-individual deteriorations in entrepreneurs' mental health affect venture outcomes, including business survival, household income, asset holdings, and employment. Drawing on Broaden-and-Build Theory (Fredrickson, 2001, 2004, 2013) and dual-process decision-making theory (Kahneman, 2011), we argue that mental health decline impairs venture outcomes by eroding the emotional and cognitive resources that underpin effective strategic decision-making, with elevated fear and sadness constituting the emotional pathway and increased rumination and risk aversion constituting the cognitive pathway. Using over two decades of longitudinal data on the German population (2002–2024) from the Socio-Economic Panel (SOEP), we will exploit within-individual variation via staggered difference-in-differences models with individual and time fixed effects. Our findings are expected to advance theoretical understanding of how psychological functioning shapes entrepreneurial outcomes and to identify actionable intervention points for supporting at-risk entrepreneurs, with broader implications for economic policy and entrepreneurial ecosystems.