ANALYSING ENTREPRENEURS' PERSONALITY

Gergely Németh PhD aspirant, senior consultant  
Szent István University, Corporate Values Ltd.
Loránd Kis-Tamás, PhD aspirant, senior consultant  
Eötvös Loránd University, Corporate Values Ltd.

ABSTRACT

Concerning the purpose of my thesis I decided that instead of questions and answers I would provide rather a short article wherein I raise the questions. An incalculably great theme lies behind the questions - What kind of personality makes an entrepreneur successful? Who is an entrepreneur? What kinds of roles can he fulfill? What can be concluded from his behaviour? How does he make decisions and what patterns of behaviour can be concluded from this? What is entrepreneurial success?

I was a little uncomfortable since, as an organizational psychologist, I do not believe that we can define a detailed personality profile in order to perform a particular occupation or profession. We can only dissertate among other things what kind of personality elements make a certain profession successful. Rather, I believe that there are behavioural elements that can assist good cooperation between partners.

1. Introduction

Today entrepreneurship creates an environment or framework where most of us work to generate some sort of value (Pupek & Németh 2015 p124). Therefore, every economy as a system and each individual actor/decision maker's vital interest is to understand how economic organizations are formed and even further, how they can be successful.

The key player in this formula is called the entrepreneur. As Carl Rogers once said: "The effectiveness of the therapy lies not in the method, but in the personality of the therapist". It is most probable that a similar scenario applies to the entrepreneur. Simply using the tools will not achieve big results.

We have long been researching what is an essential, appropriate attribute that makes one person become an entrepreneur and find success, while another in the same environment is not successful. This question is important, since if we get closer to this question it can lead to conscious selection and provide a significant additive to specific development training.

Academic interest in entrepreneurship studies has grown rapidly in recent times, spanning disciplines such as economics, sociology, business, management and
of course psychology. Psychological traits have been studied in connection with entrepreneurship for many decades (Baron & Henry 2011, McGuire 1964), though it was only in recent years that researchers started focusing on ‘dark-side’ traits.

Of course we need to address some basic problematic issues to this question. For example: What is entrepreneurial activity? Who is an entrepreneur? What makes entrepreneurial activity successful? What can an entrepreneur do? Can we define an entrepreneurial personality type that can be successful? How can we measure the success of an entrepreneur?

2. How does entrepreneurial activity start, what is the measure of their success?

The process model of entrepreneurship developed by Baron and Henry (2011 p. 276), describing how “entrepreneurs create and operate viable new companies through vigorous application of their ideas, skills, knowledge and talents”. The process includes four stages:

• motivation (factors related to what motivates individuals to become entrepreneurs);

• opportunity recognition (factors related to the likelihood individuals will recognize opportunities and the types of opportunities recognized);

• acquiring resources (factors related to individuals’ behaviors, skills, and actions as they impact the acquisition of firm resources); and

• entrepreneurial success/performance (factors related to achieving organizational-level outcomes).

In developing the process model, Baron and Henry also identify several theoretical perspectives and phenomena related to each stage of their process model. The last step is all about the achievement of success. But what is success? Regarding this there is no great consensus, See the works of Baron & Henry (2011, p 261; Casson 2003; Fisher et al 2014).
3. Chasing entrepreneurs

3.1 To whom the study pertains to and to whom it does not

I would like to start with those to whom it does not cover. We differentiate between an innovator and an inventor. The topic of innovation is one of Schumpeter's (1934) definitions and one of the most important attributes that makes someone an entrepreneur. He said that innovation was the product of new combinations, and he proposed five combination patterns: 1) the production of a new good; 2) the introduction of a new method of production; 3) the development of a new market; 4) the acquisition of a new source of supply of raw materials; and 5) the emergence of a new organization of any industry.

The inventor creates something entirely new, unique (product, process, anything). The innovator also creates something new, but his interest is in providing a complex answer to a particular issue, customer demand or employee expectation using an already existing or by further developing the invention (Greathouse 2012, Pupek & Németh 2015). In this study we primarily focus on innovators.
3.2 Who is an entrepreneur?

In another approach Gerber (2004) identifies the three roles of an entrepreneur. First, there is the skilled person (1) who working in his own enterprise with the view to focus on technology can not and will not be able to appropriate correct decisions in the development of the company (Technician's perspective). The entrepreneur (2) working to develop his enterprise (Entrepreneurial perspective). As startups grow, they quickly realize that they need a third personality, called the Manager (3), to build systems and processes. Regarding this concept even the Carland et al (1984) concept is too strong.

In this approach, as we have seen in the previous Baron & Henry's model, there is a development and adaptation process that requires some kind of ability for situation awareness as well as an affinity and willingness to change on the side of the entrepreneur.

The definition of entrepreneurship has notoriously been problematic (cf. Buse- nitz et al. 2003, Magos & Németh 2014). Indeed, the one issue that entrepreneurship scholars do agree on is that the definition of entrepreneurship and the nature of the activities that constitute entrepreneurial behaviour remain elusive (Chell 1985, 1999, 2008; Hisrich, Langan-Fox, & Grant 2007). Entrepreneurship has commonly been conceptualized as the creation of business or some kind of values (Smith 1959; Schumpeter 1980; Gartner 1988, 1990; Shane 2008), other authors have criticized this definition for narrowing and decontextualizing the term (cf. McKenzie, Ugbah, & Smothers 2007; Kuratko 2007; Shane Locke & Collins 2003). Accordingly, Shane et al. (2003) business creation is only one aspect of a broader process of entrepreneurial activity. The entrepreneurial activity can occur outside organizations or within organizations (i.e., corporate entrepreneurship); and that entrepreneurship does not always involve commercial activities (e.g., social entrepreneurship), as Kuratko (2007) argue. Thus, while the creation of business/values may be one of the outcomes of entrepreneurial activity, it is neither necessary nor sufficient for entrepreneurship (McKenzie et al., 2007). Perceptions and judgment are, therefore, key elements in this values/business creation process. Indeed, more than 20 years ago, Casson (2003) identified 'perception' and 'judgment' as one of the qualities that distinguishes the successful entrepreneur from the much larger group of non-entrepreneurial SME owners. Another element in this formula may be the motivational background and energizing driving force of the entrepreneur (Gray 1998, 2002). Gray named few psychological characteristics of Entrepreneurs. Internal locus of control (LoC) has featured fairly consistently in studies. Essentially the concept of entrepreneurship implies three discrete beliefs on the part of individuals that: 1. The outcome of events and situations are susceptible to intervention 2. Individuals can intervene and influence the outcome of situations positively from their perspective 3. They themselves have the skills and capacity to intervene effectively in certain situations or to influence certain events.
A commonly quoted empirical and desk research study of new venture start-ups, that has stood the test of time over the past quarter-century, was conducted through the MIT by Timmons and Spinelli (2003) (based on Timmons et al. 1977). They identified 14 important entrepreneurial characteristics of successful enterprise owners which still frequently crop up in entrepreneurship research.

1). Drive and energy
2). Self-confidence
3). High initiative and personal responsibility
4). Internal locus of control
5). Tolerance of ambiguity
6). Low fear of failure
7). Moderate risk taking
8). Long-term involvement
9). Money as a measure not merely an end
10). Use of feedback
11). Continuous pragmatic problem solving
12). Use of resources
13). Self-imposed standards
14). Clear goal setting

Mosakowski (1998) highlighted 4 qualities of a successful entrepreneur: creativity, the ability for instinctive action, active observation of the environment and foresight. Another approach is cited by Holland’s research (1959, 1997), who built the RIASEC model that combines personality with its environment along six dimensions: realistic (R), investigative (I), artistic (A), social (S), enterprising (E), and conventional (C). Holland’s approach is also exciting, since he connects Vocational interest as a kind of predictive to entrepreneurial success, for which, among other studies, Chamorro-Premuzic & Furnham’s work gives evidence (Chamorro-Premuzic & Furnham 2010). This of course prompted the ideas of other scientists to develop the META approach, which looks at four dimensions to predict individual entrepreneurship success (Ahmetoglu et al 2011):

1). Entrepreneurial awareness (EA; e.g. “I am quick to spot profitable opportunities”),
2). Entrepreneurial creativity (EC; “In groups, I usually have the most innovative ideas”),
3). Opportunism (O; “I try to take advantage of every profitable opportunity I see”), and
4). Vision (V; “I want to make a difference in the world”).

Almeida et al (2014), shows through an impressive 565 person model, how the two models can reliably and validly work together. At the same time I would like to draw attention to Almeida et al, who built in an invention category to the
entrepreneurial creativity factor based on the Carson et al CAQ questionnaire (Creative Achievement Questionnaire; Carson, Peterson, & Higgins 2005). And this is somewhat contrary to my comments above that we must make a distinction between innovator and inventor. There is a greater need for innovators than for inventors among entrepreneurs.

Although numerous perspectives of entrepreneurial activity/behavior have been presented, the only recurrent themes in the literature are recognition and exploitation of opportunities, innovation/change, and value creation (Gartner 1988, 1990; Kuratko 2007; McKenzie et al. 2007; Schumpeter 1980; Begley & Boyd 1987; Shane & Venkataraman 2000). Importantly, this view of entrepreneurship asserts that entrepreneurial activity (i.e., the recognition and exploitation of opportunities, innovation, and value creation) is a function of individuals’ personality (Kuratko 2007; McKenzie et al. 2007).

4. Summary

There are an abundance of empirical based studies in the above mentioned collection of findings, that reveal that it is not really possible to trace back or use a formula involving our ideas regarding the personalities of entrepreneurs. We cannot make an exact list because there are too many environmental factors that affect the outcome of entrepreneurial success of which we also simply try to conceptualize. Of course, we can set a working hypothesis that this and this is called entrepreneurial success and can be measured by such and such. After which we can define what is called entrepreneurial activity in a given environment and who can be called an entrepreneur. Of whom we can create a much more accurate picture. But to do this we would have to remove time, space and culture dimensions from our formula. Or if we leave these in the formula we have to accept the many uncertain indicators and thus live and work together in a very rough model.
BIBLIOGRAPHY


