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**Contributing to a revival and a research agenda: the psychology of entrepreneurship**

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## **Contributing to a revival and a research agenda: the psychology of entrepreneurship**

This paper highlights a renewed interest in the psychology of entrepreneurship which examines a taken-for-granted assumption within Business School programmes, that successful entrepreneurs can be taught.

This paper reports the findings of a pilot study which explores the psychological profiles of self-identified entrepreneurs. The pilot study analyses the relationships between personality, motivation, individual demographic factors and entrepreneurial success factors using commercially available personality and motivation psychometrics. In doing so the paper presents a methodological contribution to this emerging area of research and practice.

The applications of this research could include the use of these tools in screening processes for funding business start-ups and the focusing of support to aspiring and developing entrepreneurs. Feedback on the proposed approach is welcomed as is discussion with others who are interested in researching the psychology of entrepreneurship and how a better understanding of this inform can economic and social development.

**Word Count: 1840 words excluding references**

## **Introduction**

In September 2012, the Times Higher Education Supplement ran an article identifying the need for ‘... more direction for budding entrepreneurs’ and describing current provision around training in entrepreneurship as ‘fragmented’.

Implicit within this statement is a belief that entrepreneurship can be taught and that a focus on enterprise skills can lead to economic and social development. However, this belief is under researched. This developmental paper reports the findings of a pilot study which explores the psychological profiles of self-identified entrepreneurs. The pilot study analyses the relationships between personality, motivation, individual demographic factors and entrepreneurial success factors using commercially available personality and motivation psychometrics. In doing so the paper presents a methodological contribution to this emerging area of research and practice.

### Definitional Problems: organisational or individual focus

An acknowledged problem in researching entrepreneurship is the lack of agreement on definitions. Chell (2008) highlights that current definitions are fragmented and argues that an agreed definition is not available. Various definitions exist and some focus on the organisational dimension: the creation of new organisations (Gartner, 1989); independent ownership, active management and/or expressed intention to do so (Stewart and Roth, 2001); others on tasks such as the recognition and exploitation of opportunities (Shane and Venkataraman, 2000). A focus on the organisational dimension draws attention to the concept of entrepreneurial success. This heterogenous concept has developed over the course of time. Many writers have placed the emphasis on financial success. Ahmad and Seymour (2008) identify performance indicators for entrepreneurship. These include birth and death rates of enterprises, net business population growth, survival rates after three and five years, the average size of three and five year old firms, and business start-up rates. These indicators of entrepreneurial success will inform this study and will be utilised as independent variables.

The dependent variables for this research are informed by definitions of entrepreneurship which focus on the individual dimension: recognition and exploitation of opportunities. This individualised focus on the entrepreneur has a long history stretching back to the work of Schumpeter (Schumpter, 1934) and later revisited by writers such as Shane and Venkataraman (2000). The European Union define entrepreneurship as:

an individual’s ability to turn ideas into action. It includes creativity, innovation and risk taking, as well as the ability to plan and manage projects in order to achieve objectives. (Union, 2010)

Individual definitions acknowledge the importance of an individual’s personality and motivation. Indeed, individual definitions add another dimension to the concept of entrepreneurial success and draw attention to lifestyle businesses that balance their

entrepreneurial outputs with the entrepreneur's desired pace and priorities in life. From an individual perspective the definition of success will be influenced by the personality and motivation of the individual entrepreneur, their personal goals and priorities.

### **Revival of a psychological approach: personality and motivation**

Research on the psychology of entrepreneurship has increased over the last thirty years. Significant themes include the role of personality preferences in entrepreneurship (Rauch and Frese, 2007) and entrepreneurial motivation (Locke and Baum, 2007).

The term personality in the discipline of psychology refers to stylistic consistencies in behaviour which reflect the inner structure and process within individuals (Furnham, 1992:15). This differs from the populist understanding of the term personality which contains something of distinctiveness of character and seeing the whole 'type' of person rather than a single dimension (Chell, 2008). There is established research within the field of psychology which highlights the significance of personality and career choice. Holland (1985) explored the typology of vocational choice and found substantial empirical evidence that people make choices about the occupations they choose on the basis of their interest patterns. This produces different personality profiles across occupations and work environments. Kristof (1996) in his study on Person-Environment Fit supports the idea that individuals gravitate towards certain jobs and work environments that match their personality. Using the attraction-selection-attrition model (ASA), Schneider (1987) explains how individual and organisational processes produce mean differences in personality across organisational work environments. Ones et al. (2003) examined the homogeneity of personality scores within organisations and used the ASA model to explain this.

Research into the role of personality preferences in entrepreneurship fell out of favour in the 1990's and early 2000's because of low correlations between personality traits from the Big Five inventory (Costa and McCrae, 1992) and entrepreneurship. However, it is now experiencing something of a revival following a number of meta-analyses, notably by Zhao and Seibert (2006) and Rauch and Frese (2007).

Rauch and Frese (2007) argue that each of the 'Big Five' have a number of facets which, if considered together rather than individually, might 'wash out' useful and interesting differentiations. For example they demonstrate that conscientiousness has both the achievement and the dependability motive. They argue that it is necessary to examine specific traits and their relationships with business creation rather than relying on the top-line traditional Big Five factors. This is supported by Zhao and Seibert (2006) who demonstrate that only the achievement aspect is related to entrepreneurship with a corrected correlation of 0.59 while the dependability aspect only had a corrected correlation of 0.01. Taken together and reporting under the traditional 'Big Five' taxonomy, the correlation between conscientiousness and

entrepreneurship was just 0.45. In their meta-analysis, Rauch and Frese (2007) found that personality traits are related to entrepreneurial behaviours like business creation and success but that personality traits associated with the task of entrepreneurship are better predictors of entrepreneurial behaviour in business creation and success. Their analysis showed that traits directly and significantly correlated with success were innovativeness, proactive personality, generalized self-efficacy and stress tolerance.

Zhao and Seibert (2006), in their meta-analysis, adapted the ASA theory to explain the association between personality and entrepreneurship. The rationale used was:

- Individuals with certain personality traits might be attracted to entrepreneurial occupations more than others
- Selection by outside agents like funders, suppliers, potential employees, might favour certain personality traits over others – this will help to facilitate the founding of an entrepreneurial venture
- Individuals with certain personality traits might find entrepreneurial activities more satisfying and therefore persist long enough to get the venture off the ground

While personality traits can be an important influencer on behaviour, this is often through mediational processes (Mischel and Shoda, 1998). One of the main mediators through which personality traits determine entrepreneurial behaviour is motivation (Herron and Robinson, 1993).

Motivation is based on an individual's needs, desires, values, goals and intentions. It is also incentivised by rewards provided by the satisfaction of those internal mechanisms. Motivation energises, directs and sustains action (Locke and Baum, 2007)

Research into motivation and entrepreneurship covers both cognition (knowledge and belief) and motivation (desire) (Locke and Baum, 2007). Each aspect is necessary but not sufficient. Knowledge or belief without motivation fails to act and motivation without knowledge or belief is unproductive (Locke, 2000). Therefore each is necessary without being sufficient to the task of entrepreneurship and both must be applied together for action to be effective.

Gartner, Bird and Starr (1992) describe entrepreneurial motivation as the forces within an individual that drive latent entrepreneurs to and through venture emergence and growth.

Landy and Becker (1987) identified five categories of motivation theory in their meta-analysis – needs, reinforcement, equity, expectancy and goal theory. Gartner et al. (1992), researching entrepreneurship concluded that the following two categories were especially useful in understanding the motivation of entrepreneurs.

- Expectancy theory (Guest, 1984; Vroom, 1984) can explain why and how people choose to become entrepreneurs. Using this theory, Gartner et al. (1992) state that entrepreneurs may be more tolerant of uncertainty and therefore more attracted to high-uncertainty situations or better able to make choices where options are equivocal than managers of established businesses.
- Goal theory (Locke and Latham, 2002) (Steers, Mowday and Shapiro, 2004; Denhardt, Denhardt and Aristigueta, 2009) suggests that, given sufficient commitment, feedback and knowledge, specific challenging goals result in high performance. Harnessing this theory for entrepreneurship, Gartner et al. (1992) argue that entrepreneurs set higher entrepreneurship goals than those who do not start businesses.

Further evidence of the psychological revival was provided by a literature search using the Proquest Entrepreneurship electronic database. This data base provides access to peer-reviewed conference papers and journals. The search criteria covered articles from 2003- 2013, a ten year period, and search terms were entrepreneurship/entrepreneur and psychology in the abstract, key words or title. . This search returned a total of 63 results. These were categorised into themes after Coleman et al. (2013) and the results can be found in Appendix 1. It can be seen that 46% of all the studies contained within this search criteria were focussed on the personal traits and behaviour of entrepreneurs, demonstrating that this remains a live and relevant field of research.

This pilot study extends existing research by exploring personality and motivational factors. The psychological approach adopted in this study is positivist and focussed on identifying and isolating personality traits and individual motivators that are predictive of specific behaviour, to be explicit, is there a personal psychological trait or a set of traits associated with becoming an entrepreneur and with entrepreneurial behaviour? Are these traits related to indicators (organisational or individual) of entrepreneurial success?

### Methodology

This pilot study analyses the relationships between personality, motivation, individual demographic factors and entrepreneurial success factors using commercially available personality and motivation psychometrics. The psychometric tests have been developed by TalentQ, a well-established and reputable psychometric house. The personality tool, Dimensions, has been in commercial operation for a number of years and has a norm group in excess of 50,000 individuals. The motivational test, Drives, has just been launched commercially but has a norm group of 2,000. Both tests have high internal validity and reliability with a test-retest correlation between 0.7 and 0.88 depending on the factor in question. The tests have been used successfully for recruitment and development purposes for a number of years within large organisations. The norm group is available to the researcher enabling comparisons between self-identified entrepreneurs and those employed within large organisations.

Through the Federation for Small Business and the Institute of Directors, 48 self-identified entrepreneurs have been recruited and have completed the Dimensions and Drives psychometric tests. The independent variables are biographical data from the individuals (age and gender) as well as information about their businesses (turnover, length of time trading and number of employees) as proxies for entrepreneurial success as suggested by Ahmad and Seymour (2008). Initial analysis of the data will be presented at the conference and plans to extend the research will be discussed.

Plans to develop the paper prior to discussion/presentation at the conference

This paper will be further developed by undertaking full analysis of the pilot study data so that initial findings can be reported at the conference.

An exploratory factor analysis will be carried out using SPSS to identify the significant factors which will then be subjected to a confirmatory factor analysis.

Feedback on the proposed approach is welcomed as is discussion with others who are interested in researching the psychology of Entrepreneurship and how a better understanding of this can inform economic and social development.

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