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A Comparison of Entrepreneurial Attitudes of Entrepreneurs and Leaders

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Abstract: This study compares entrepreneurs to leaders in the public and private sectors. The aim is to determine whether there are differences in the attitudes of risk-taking, growth orientation and innovation. The data comprise 50 entrepreneurs, 72 leaders from the private sector and 34 leaders from the public sector. The results show statistically significant findings, indicating that entrepreneurs have greater tendencies towards creativity and risk-taking attitudes than public-sector leaders.

Keywords: risk-taking, growth orientation, innovativeness, entrepreneurs, leaders

1. Introduction

According to the European Commission (2006), entrepreneurial competence is about mindset and work orientation, which involve the ability to innovate and take risks and to initiate, plan and lead actions, which further involve creativity and an innovative approach to reach set goals. Several studies have indicated that innovativeness and risk-taking are the most important qualities of entrepreneurs and that entrepreneurs have more tendencies towards taking risks than people in other occupations (Baron and Shane, 2004; Begley and Boyd, 1987; Carland and Carland, 1991; Carland et al., 1995; Pekkala et al., 2019). For example, Buttner and Gruskiewich (1993) indicated that entrepreneurs are more innovative than general managers.

The recent studies comparing entrepreneurs and leaders are lacking, even the business world has been changed a lot and demands for leaders and entrepreneurs are different from the 90s. Additionally, previous studies do not separate private and public sector leaders, which may impact on the results as well. The leadership positions can be very different in the public and private sector. Thus, the aim is to study if the entrepreneurial mindset is different at entrepreneurs and leaders in private and public sector.

2. Earlier studies

Studies in the '90s indicated that entrepreneurs tend to have a high need for achievement (Costa and McCrae, 1992) and an internal locus of control (Chen et al., 1998). Researchers later found that entrepreneurs have a need for independence and autonomy (Henry et al., 2003), and they are self-efficacious (Esfandiar et al., 2017; Fueller et al., 2018) and their value orientation is different from managers (Kecharanata and Baker, 1999). In this study the focus is on Innovativeness, risk-taking, and competitiveness which have mostly studied as separate constructs.

Innovativeness has been studied at the firm level and via the entrepreneurial intentions of students more than concentrating on studying entrepreneurs' qualities. However, a firm's innovativeness has been connected to its performance (see meta-analyses of Rosenbusch et al., 2011). For example, Colombelli et al. (2013) found that innovation enhances a firm's survival prospects. Florin et al. (2007) explored which student attitudes promote entrepreneurship and found that innovation, nonconformity, proactive disposition, self-efficacy and achievement motivation are crucial in this regard. Harris and Gibson (2008) found that personal control, innovation, self-esteem and achievement, with respect to business involvement, were correlated with the intention to become an entrepreneur. Further research with students used a variety of measures for entrepreneurial attitudes that included a mixture of attitudes and trait measures, which often included both risk-taking and innovativeness (Domke-Damonte et al., 2008; Langkamp-Bolton and Lane, 2011; Levenburg and Schwarz, 2008; Macko and Tyszka, 2009; Zampetakis et al., 2009) as well as proactivity (Langkamp-Bolton and Lane, 2011; Zampetakis et al., 2009).

Risk preference can be defined as the general tendency or desire to pursue or avoid risks (Sitkin and Pablo, 1992). Risk reflects the degree of uncertainty and potential loss associated with the outcomes that may follow from a given behaviour or a set of behaviours (Forlani and Mullins, 2000). Gunawan et al. (2013) noted that risk-taking orientation reflects an individual's tolerance of uncertainty and the ability to become involved in and

make risky investments. Important considerations with risk-taking are not only the resources to be committed but also the high probability of failure (Wiklund and Shepherd, 2003).

The ability to take risks is considered a crucial quality for entrepreneurs (Frishammer and Andersson, 2009), and many researchers (Das and Teng, 1997; Douglas and Shepherd, 2002; Stewart and Roth 2001;2004) have reported that risk-taking attitudes and behaviours are distinguishing characteristics of entrepreneurship. Researches have shown that highly risk-minded entrepreneurs are generally willing to take on high-risk ventures for the chance of high returns (Covin and Slevin, 1991; Lumpkin and Dess, 1996). Entrepreneurs use biases and heuristics more than managers in their decision making, which leads them to perceive less risk in a particular situation (Busenitz, 1999). According to Douglas and Shepherd (2002), in addition to risk-taking ability, entrepreneurs need autonomy in decision making. The stronger the risk-taking tolerance of an individual and the stronger their preference for decision-making autonomy, the stronger their intention to be self-employed (Douglas and Shepherd, 2002). Interestingly, an intervention study by Kyrö and Tapani (2008) indicated that people can learn to take risks.

Competitiveness drives efforts that improve performance (Krishnan et al., 2002), and it is associated with the adaptation of deep-learning strategies (King et al., 2012) and learning effort as well as general self-efficacy (Wang and Netemeyr, 2002). Many studies have focused on entrepreneurial orientations and the relationship of aggressive competitive orientation to firm performance and business success (Covin and Covin, 1990; Matchaba-Hove et al., 2013). However, few studies have examined how competitiveness affects an individual's willingness to start a business.

All these qualities (innovativeness, risk-taking and competitiveness) can be connected to optimism and overconfidence. According to Hamilton (2000) and Moskowitz and Vissing-Jorgensen (2002) optimism and overconfidence are a main explanation for why people persist in entrepreneurship despite the fact that earnings can be lower and riskier on average than in paid employment.

3. Method

The data, which were gathered from 2017–2019, included 1,154 respondents. To determine what comprises an entrepreneur's mindset, their innovation qualities were compared to other working groups, including public- and private-sector leaders. The data included 50 entrepreneurs, 34 public-sector leaders and 72 private-sector leaders.

The one-way analysis of variance (the One-Way ANOVA) were used to compare whether means of the samples are significantly different or not. With the post-hoc analyses (the Tukey's B) the specific differences of groups were executed.

Two questionnaires were used, both with 'Yes' or 'No' questions. These kind of questions have been used previously in some entrepreneurial studies (Brandt & Helander, 2020). Questionnaires were:

3.1 Innovativeness questionnaire

The questionnaire on innovativeness comprised five dimensions, which were produced by factor analyses (varimax). *Creativity* was measured with seven items (e.g. 'I regard myself as a creative person' and 'I prefer to work with innovative persons'). *Uniqueness* was measured with three items (e.g. 'I want to find my own way of working' and 'I enjoy standing out by having unique ideas'). *Change orientation* was measured with three items (e.g. 'Changes are nice challenges' and 'It's important to notice new opportunities during changes'). *Openness to new ideas* was measured with two items (e.g. 'I show my interest in new products in markets'). *Decisiveness* was measured with two items (e.g. 'I will do whatever it takes to execute my idea').

3.2 Risk-taking orientation and growth orientation

Entrepreneurial orientation was measured here with risk-taking orientation and growth orientation. *Risk-taking* was measured with five items (e.g. 'I do not need security provided when working under some else' and 'You cannot be sure about the success of a new firm, but you should still give it a try'). *Growth orientation* was measured with two items (e.g. 'When starting your own firm, the goal is to gain a significant place in the market').

4. Results

Dimensions of Innovativeness. The results indicated that the entrepreneurs were clearly more innovative and growth- and risk-oriented than the leaders. The entrepreneurs were only lower than the private-sector leaders in one dimension—*decisiveness*—but they were higher than the public-sector leaders in that dimension. *Openness to new ideas, change adaptation, uniqueness, and creativity* were all higher for entrepreneurs than for leaders (see Figure 1).

Risk-taking and growth orientation. In both dimensions, the entrepreneurs appraised themselves higher in risk-taking and growth orientation (see Figure 1).

Statistical analyses (one-way ANOVA) indicated that between the groups, there were statistically significant differences concerning risk orientation and creativity. According to a *post-hoc* test (Tukey's B), the entrepreneurs and private-sector leaders differed significantly from public-sector leaders concerning risk orientation. Additionally, regarding entrepreneurial orientation (mean of the risk and growth orientation), the entrepreneurs and leaders in the private sector produced higher results than the leaders in the public sector. The *post-hoc* test did not show any difference in creativity, even though the entrepreneurs clearly had the highest mean (see Table 1).

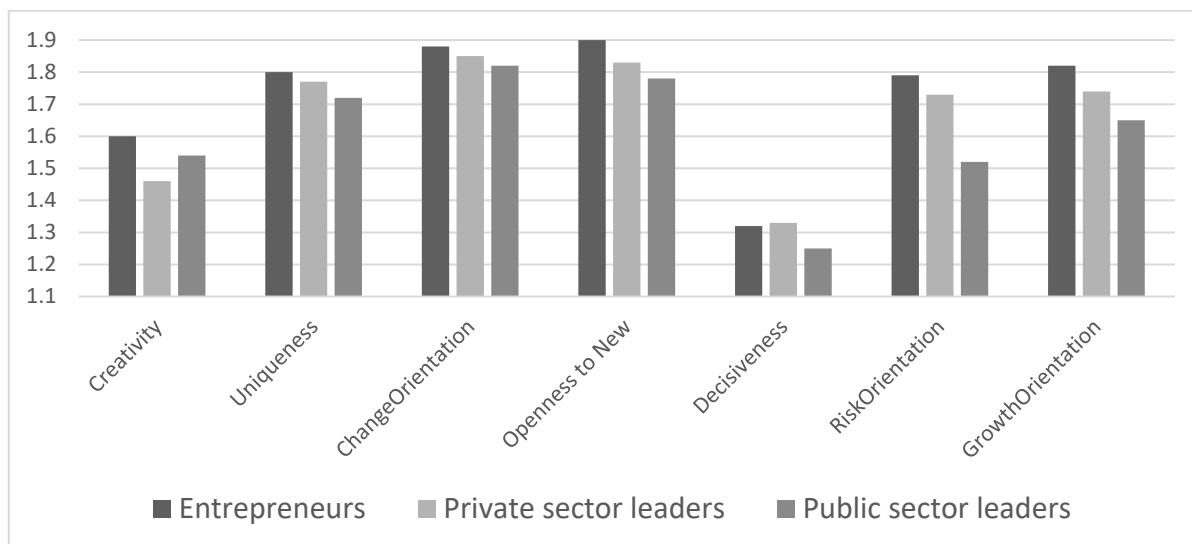


Figure 1: Innovativeness, risk-taking and growth orientation in comparison

Table 1: Statistically significant results according to the one-way ANOVA and Tukey's B

Dimension	F-value	Significance	Post-hoc (Tukey's B)
Creativity	3.240	0.042*	-
Uniqueness	0.703	0.497	-
Change Orientation	0.545	0.581	-
Openness to New Ideas	1.750	0.177	-
Decisiveness	0.810	0.447	-
Risk Orientation	12.206	0.000***	Ent, PriL > PubL
Growth Orientation	2.015	0.137	-
Entrepreneurial Tendencies (Risk + Growth)	6.856	0.001**	Ent, PriL > PubL

*p<.05, **p<.01, ***p<.001

5. Discussion

The statistical analyses showed that private sector leaders and entrepreneurs are higher in risk-orientation and entrepreneurial tendencies than public sector leaders. According to means, the entrepreneurs have higher means than both private and public sector leaders in all categories than decisiveness, where they were surpassed by private-sector leaders. Specifically, the entrepreneurs were more creative, unique, change-oriented, open to new ideas, risk-oriented and growth-oriented than the leaders. Only decisiveness concerning their own ideas

was lower for leaders in the private sector. It is probably wise to understand that when others resist an idea, the idea might not be as good as its creator originally thought.

Leaders might have different roles than entrepreneurs in their work; they cannot take as many risks when they work for someone else, and in the public-sector leaders must follow rules and processes carefully. According to the Ministry of Economic Affairs and Employment (2018), weaknesses of Finnish leaders include a low level of ambition, a lack of dialogue, poor leadership and a love of processes. A love of processes may decrease the level of innovation, which may be the problem with leaders in the public sector. Many public sector leaders are working with entrepreneurs for example as supporting roles. For example, higher education institutes try to encourage towards entrepreneurship, some organizations support entrepreneurs by giving information, networks or funding for them. For understanding entrepreneurship it would be important especially in those fields which work with enterprises to have entrepreneurial mindset, to be more able to support and understand those who are actually doing it.

It seems like entrepreneurial mindset is nowadays more common in private sector than previous studies indicate. In the private sector, leaders represent owners, and thus they should also act entrepreneurially. In many companies, the importance of growth mindset which demands risk-taking has been recognised, and leaders and employees have been encouraged to act accordingly.

It is also shown that some people are by nature more innovative, risk-taking or growth-oriented due to the personality (Brandt & Helander, 2020). It would be worth considering that organizational cultures who recognize with low innovation orientation would hire personalities with entrepreneurial attitude to fresh the culture and change the thinking processes. Additionally, private and public sector companies could have for example advisory boards of entrepreneurs to enhance their creativity in thinking.

Some limitations should be mentioned. The dataset for both leaders and entrepreneurs was rather small. In the future, more data should be gathered to determine whether there are differences between the different working groups to learn which qualities should be encouraged to increase the number of entrepreneurs in Finland. Innovation, growth and risk orientations should be measured with a Likert scale to elicit more variation in the results. Finally, the results are based on self-rating questionnaires, which may cause people to appraise themselves more favourably than they actually behave. Therefore, appraisals from colleagues would be helpful in future studies.

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