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# The Personality Characteristics of an Entrepreneur and Their Effects on the Performance of a New Business Venture

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<p>The purpose of this study is to examine the personality characteristics of an entrepreneur and their effects on the performance of a business venture. The thesis also aims to explain how the personality characteristics of an entrepreneur differ from those of a non-entrepreneur.</p> <p>The research paper consisted of a literature review that built up the theoretical framework for the study. The theoretical framework was collected from a vast amount of academic sources concentrating on entrepreneurship, entrepreneurs and entrepreneurial personality. The literature review concluded in two hypotheses: (1) The characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur and (2) The characteristics of an entrepreneur influence the performance of a business venture.</p> <p>The two hypotheses were analyzed with the assistance of the findings of the literature review and a number of previous studies related to the topic. The results of these studies combined with the theoretical framework collected in the literature review resulted in the conclusion that both of the hypotheses were true. Therefore, the main conclusion of the research paper was that the performance of a new business venture is affected by the personality characteristics of the entrepreneur.</p>	
Keywords	entrepreneurship, entrepreneur, entrepreneurial personality, business performance

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## 1 Introduction

"Entrepreneurship is the backbone of our economies and the mandate for the wealth of our nations. It is at the very core of our existence." (Carland Jr. and Carland 1997: 33)

Entrepreneurship is everywhere around us. It can be found in the smallest of the family shops in any third-world country and it can be found in every global organization anywhere in the world. Our whole economy is based on entrepreneurship. For decades already, entrepreneurship has created great interest among academics and the amount of literature and studies about entrepreneurship can be quite overwhelming. However, in the last few years, the interest in entrepreneurship has been raised to another level. Popular shows such as Dragon's Den and Shark Tank have brought entrepreneurship to every ordinary person's living room. Successful entrepreneurs such as Steve Jobs, Bill Gates and Mark Zuckerberg can be seen on the red carpets and are known by anyone in any part of the world.

However, entrepreneurship is much more than these few individuals who make it to the global newspapers. The high-profile accomplishments of the global entrepreneurs are seen as charismatic examples, even as role models, for what is best in entrepreneurship. The examples of the high-profile entrepreneurs turn the concentration away from the characteristics and attitudes of the millions of small-scale entrepreneurs. (Butler 2006: 9) It is the small-scale entrepreneurs that are usually left out of the spotlight but it is exactly these entrepreneurs who should be the ones studied. These are the entrepreneurs who stand for every individual.

Entrepreneurship is a significant but a very broad area of study. People typically relate the study of entrepreneurship to the economical view. Entrepreneurship creates wealth and this is what tends to interest people. This view also limits the study of entrepreneurship. However, a great number of previous studies about the entrepreneur as an individual have been conducted and a selected few will be introduced later on in this thesis. These studies, combined with the theoretical framework about

entrepreneurship, build up the core of this thesis, and provide sufficient basis for an extensive conclusion.

This specific bachelor's thesis focuses on the entrepreneur as an individual, the psychological aspect of entrepreneurship. Nevertheless, the economic aspect of entrepreneurship is extremely valuable also and it will be included in the research paper as well. To be specific, the author of this thesis tries to combine the two different aspects and to investigate the personality characteristics of an entrepreneur and how they are related to the performance of a new business venture. Although previous research has been done about this specific research area, a comprehensive study of this sort provides the reader with a deeper understanding of the topic in question.

Although the clear focus of this research paper is on the entrepreneur as an individual, it is important to acknowledge the environmental factors as well. Dollinger (1995) claims that the environment creates both threats and opportunities for a new business venture. The opportunities are mainly resources such as technology, people and money. The key environmental elements are the ecosystem, sociodemographics, technology, economy and government and politics. (Dollinger 1995: 12) In the last few decades, particularly the promotion of entrepreneurship as a career or lifestyle choice has improved greatly and this has encouraged many people to consider entrepreneurship as a valid option. Government assistance schemes and venture capital opportunities have appeared to further encourage entrepreneurial behaviour and this is directly linked to the growing number of business start-ups. However, due to the word limit of a bachelor's thesis, the discussion of these issues must be left aside and the central theme remains on the entrepreneur as an individual.

### 1.1 Background of the thesis

This thesis topic emerged from the author's own personal interest to make sense of the wide amount of entrepreneurship literature, concentrating especially on the studies of the entrepreneur as an individual. The author is interested in becoming an entrepreneur herself in the near future and the studies linked to the psychology of an entrepreneur will hopefully give her a clearer understanding on how the personality characteristics of the entrepreneur are associated with the performance of a new business venture.

## 1.2 Limitations

The author is well aware that the success of a business venture is not only dependent on the personality characteristics of the entrepreneur but on various other aspects as well. Despite this fact, the main focus that the author wants to keep in this specific research paper is the psychological factors of the entrepreneur and how they are related to the performance of a new business venture.

## 1.3 Research objectives and aims

The main research question of this bachelor's thesis:

- *What effect do the personality characteristics of the entrepreneur have on the performance of a new business venture?*

A sub-question related to the topic emerges from the main research question:

- *How do the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur?*

This thesis aims to study the different personality characteristics of the entrepreneur and to find the connection between these characteristics and how they are linked to the performance of a new business venture. Additionally, the thesis intends to demonstrate that the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur.

This bachelor's thesis aims to provide sufficient evidence for the thesis statement:

*The performance of a new business venture is affected by the personality characteristics of the entrepreneur.*

## 1.4 Methodology

When the author began to research the topic of the thesis, she uncovered various previously conducted studies about the research area. The author came to the conclusion that these studies could be used as trustworthy sources for this specific research paper. Therefore, the author did not find it necessary for her to conduct primary research of her own. Instead, the author will utilize these previously conducted studies as an important part of the research of this paper. The prior studies used in the research paper will be from different cultures and time periods.

Therefore, the research methods used in this specific paper will be based solely on secondary research. The secondary research of this specific research paper will be carried out by using a variety of books, e-books and Internet articles, topics mostly concentrating on entrepreneurship. The books, e-books and Internet articles will be from different time periods in order to give the reader a more profound insight to the research area in question. Various authors will be cited to be able to conclude the research paper as accurately as possible.

## 1.5 Structure of thesis

To be able to provide profound answers to the research questions of this bachelor's thesis, as well as, to provide sufficient evidence on the thesis statement, this research paper is divided into four different chapters:

- 1) Introduction
- 2) Literature review and hypotheses
- 3) Findings and analysis
- 4) Conclusion

The introduction gives the reader the first insight to this bachelor's thesis. The introduction consists of the purpose for the study, the background of the thesis, limitations, the research objectives and aims and the structure of the thesis. The research question and thesis statement are introduced as well. The aim of the introduction is to

explain to the reader the motivations of this research study, as well as, to provide a logical pathway of this bachelor's thesis from the beginning till the very end.

The second chapter consists of a theoretical research of the concepts of entrepreneurship, the entrepreneur as an individual, the personality characteristics of the entrepreneur and how they are linked to the success of a business venture. The aim of this chapter is to provide the reader with sufficient understanding of the concepts and therefore, give a profound basis to the research paper as a whole. The hypotheses of the research paper are created on the basis of the theoretical research.

The third chapter focuses on the analytical approach of the study in question. Previous studies about entrepreneurial personality, as well as entrepreneurial personality and its effects on the performance of a business venture are introduced. The studies provide additional evidence on the theoretical research gained in the second chapter and therefore assist in finding the answers to the research questions of the paper. The aim of the chapter is to analyse the findings of the literature review and to assist in finding the relationship between the personality characteristics of the entrepreneur and the performance of a business venture. Also, the hypotheses created in the second chapter will be discussed further.

The last chapter aims to answer the main research question of the paper and therefore, confirm that the thesis statement holds enough evidence to be called true.



## 2 Literature Review and hypotheses

The problem that arose in researching the topic of entrepreneurship was the amount of literature available and knowing how to choose the most reliable sources for this specific research paper. The author aimed to choose literature from different time periods, as well as regarding different cultures and societies. This way, the thesis will be able to offer a more extensive picture of the research area in question.

### 2.1 Entrepreneurship and entrepreneur

“Entrepreneurship is one of the oldest established processes of human society, and it has been a driving force in the world since the first humans began to develop specialization of labor at the dawn of history. As the centuries pass, the importance and role of entrepreneurship grow.” (Carland Jr. and Carland 1997: 37)

It is not so long ago that the field entrepreneurship was not yet considered an academic area of study. Still, our economy was based upon entrepreneurship. (Kuratko and Hodgetts 2007) The concept of entrepreneurship is based on the theory of society and economy. Around 1800, J.B. Say invented the term entrepreneur and in his discussion, an entrepreneur is a person who moves economic resources from a lower productivity area into a higher productivity area. (Zimmerer and Scarborough 1996: 2) Now, an entrepreneurial revolution has taken hold of the whole world. Kuratko and Welsch (2004) claim that this revolution is as powerful as the Industrial Revolution in the twentieth century. (Kuratko and Welsch 2004: 3) Entrepreneurship and entrepreneurs have changed the paths of markets and economies. (Ahmad 2010: 203)

Entrepreneurship has an important role in the creation and growth of businesses and in the growth and success of countries. (Hisrich et al. 2013: 6) Entrepreneurship is the symbol for business achievement and persistence. (Kuratko and Welsch 2004: 3) Almost all explanations for business, and for capitalism itself, rely on entrepreneurship as a cornerstone. A great amount of people around the world engage in entrepreneurial

activity. (Shane 2003: 1) Entrepreneurship takes a number of forms and it appears in both small and big businesses, in new and established businesses, in the formal and informal economies, in legal and illegal activities, in innovative and conventional cases and in all regions and economic sectors. (Westhead et al. 2011: 3) Entrepreneurship is the key driver to economic development. Governments and academics intend to encourage entrepreneurship due to its importance to employment creation and GDP. (Ahmad 2010: 203) Without the never ending creation of new businesses, our economy would stop. (Zimmerer and Scarborough 1996: 2)

The entrepreneurial process has also generated significant academic interest. (Westhead et al. 2011: 4) It is the uniqueness of entrepreneurship that people find so intriguing. (Carland Jr. and Carland 1997: 33) Also business school students are very interested in entrepreneurship. However, the scholarly understanding of the field of entrepreneurship is still limited. (Shane 2003: 1-2) Most people study entrepreneurship due to its important role in creating wealth. However, a financial view can be limiting and it prevents us from understanding the true impact entrepreneurship has on people. (Carland Jr. and Carland 1997: 37)

The entrepreneur is considered to be the means of changing and amending the economy. (Ahmad 2010: 203) Studies have shown that entrepreneurs are not a homogeneous unity and there are different types of entrepreneurs. (Westhead et al. 2011: 3) Without the energy, motivation and devotion of entrepreneurs, new business formation would never happen. (Zimmerer and Scarborough 1996: 2)

### 2.1.1 Definitions

"To provide a conceptual framework for something, a researcher must first define it and put some boundaries around it." (Shane 2003: 4)

Since J.B. Say invented the term entrepreneur around 1800, there has been much confusion over the definitions of entrepreneurship and entrepreneur. (Drucker 2007: 19) Many authors of entrepreneurship have difficulties defining such broad subjects. Various authors claim that there is no universally accepted definition for the two terms. (i.e. Butler 2006, Westhead et al. 2011, Carland Jr. and Carland 1997) In Dollinger's (1995)

book about entrepreneurship, it is stated that each writer of entrepreneurship has its own definition on it. Dollinger (1995) defines entrepreneurship as “the creation of an innovative economic organization (or network of organization) for the purpose of gain or growth under conditions of risk and uncertainty.” (Dollinger 1995: 6-7) Similarly, Scarborough (2012) argues that entrepreneurship is about creating something new in an uncertain environment and for the purpose of profit. (Scarborough 2012: 20) Many definitions of entrepreneurship highlight the importance of seeking profits. However, Barringer and Ireland (2008) claim that entrepreneurship is about pursuing and recognizing opportunities and putting useful ideas into practice. (Barringer and Ireland 2008: 6) They use the word useful instead of mentioning anything about profit, which gives the definition a broader meaning. They place the importance on taking advantage of useful ideas that can be put into practice, which does not necessarily mean monetary gain. Again, Harvard University attributed definition of entrepreneurship is the pursuit of opportunity beyond controllable resources. (Butler 2006: 8) Barringer and Ireland (2008), as well as, Butler (2006) highlight the importance of opportunity in relation to entrepreneurship. In general, entrepreneurship seems to be about realizing the opportunities that are given and being able to take advantage of these opportunities. Dollinger (1995), Scarborough (2012) and Butler (2006) also mention uncertainty and resources beyond control, which brings the aspect of risk to the concept of entrepreneurship. Carland Jr. and Carland (1997) define entrepreneurship very broadly as “the tangible or intangible outcome of an entrepreneur’s endeavor”. (Carland Jr. and Carland 1997: 36) Unlike the other authors cited in this chapter, Carland Jr. and Carland define entrepreneurship as something of an outcome of an entrepreneur. Also, Wickham (2006) claims that entrepreneurship is what the entrepreneur does. These definitions place the importance on the entrepreneur. (Wickham 2006: 4) To be able to fully understand this definition, it is crucial to define the entrepreneur as well.

Wickham (2006) claims that it is challenging to give a specific and unambiguous definition to the term entrepreneur because there are already so many existing definitions to the term and the definitions do not normally agree with each other. (Wickham 2006: 4) The Oxford English Dictionary defines entrepreneur broadly as “a person who attempts to profit by risk and initiative”. (Burns 2005: 7) Mariotti and Glackin (2012) define an entrepreneur as a person who arranges and manages the business, while assuming the risk for the purpose of possible gains. (Mariotti and Glackin 2012: 3) Scarborough (2012) states that an entrepreneur is someone who creates a new business

in front of risk to be able to achieve profit and growth. (Scarborough 2012: 20) Although the three definitions of the term entrepreneur are all quite similar, Scarborough (2012) places the importance on business growth as well, rather than only mentioning profit. Mariotti and Glackin (2012) also mention that an entrepreneur organizes and manages the business, while Scarborough (2012) only writes about the creation of a new business. The Oxford English Dictionary places importance on the word initiative as well. Carland Jr. and Carland (1997) argue that several attempts have been made to establish a definition for the term entrepreneur but no consensus definition has been found. Despite this fact, they aim for a definition broad enough to fit everyone and define an entrepreneur as "an individual who pursues the creation, growth or expansion of a process, business, venture or procedure, which can lead to the realization of that individual's dream". (Carland Jr. and Carland 1997: 34) Wickham (2006) states that an entrepreneur can be considered as a manager, an agent of economic change and an individual. (Wickham 2006: 5)

## 2.2 The different approaches of entrepreneurship

"Entrepreneurs think differently from nonentrepreneurs [sic]" (Hisrich et al. 2013: 7)

Bulut, et al. (2010) claim that entrepreneurship has been a widely studied area for years and still its inter-disciplinary characteristics have led to different realizations. These realizations can be also seen as different factors determining entrepreneurship. The different factors determining entrepreneurship are individual, environmental and organizational. (Bulut, et al. 2010: 560) Similarly, Dollinger (1995) claims that entrepreneurship has three dimensions; the individual, the environmental and the organizational. They are all dimensions of the new business venture creation. (Dollinger 1995: 10-11) On the other hand, a more elaborated approach is the multidimensional approach, which consists of the individual, the environment, the organization and the venture process. (Kuratko and Hodgetts 2007: 45) Psychologists have researched issues relating to person, process and choice. The area of analysis in personality studies is the individual entrepreneur. (Westhead et al. 2011: 59)

As the research aim of this particular bachelor's thesis concentrates on the personality characteristics of an entrepreneur, the natural focus of this research paper is going to

be on the entrepreneur as an individual. The next two chapters are going to explain more thoroughly the concept of entrepreneur as an individual.

Since McClelland (1961), much of the discussion in entrepreneurship has been concentrated on the individual. (Carland Jr. and Carland 1997: 34) The individual plays a very important role in entrepreneurship. (Dollinger 1995: 10-11) When an entrepreneur begins a business, they bring a set of human capital to the business. Therefore, the business becomes an enlargement of the entrepreneur as an individual. (Zhang and Bruning 2011: 82) Littunen (2000) claims that since starting up a new business is an individual decision, the individual's characteristics as an entrepreneur are essential when studying entrepreneurship. (Littunen 2000: 295-296) However, studying an individual can be extremely complex. (Carland Jr. and Carland 1997: 37) Particularly if an entrepreneur is dependent on external funding sources, they may place limits on the entrepreneur's personality, as it is expressed via the business venture. Also, customers will limit the freedom of the entrepreneur to treat the business as an enlargement of personality. Nevertheless, due to the scope of this research paper, the central point is going to be the impact of entrepreneurial personality on a business venture.

Researchers focusing on the individual approach of the entrepreneurship mostly keep their focus on psychological, demographic and personal traits. This approach states that entrepreneurs have specific values, attitudes and needs. This would mean that psychology, personal characteristics and a person's experiences determine entrepreneurship. According to the individual approach, people with certain characteristics such as internal locus of control and need to be independent are more likely to become entrepreneurs in the future. (Bulut, et al. 2010: 560) In addition, Dollinger (1995) claims that every individual's psychological, sociological and demographic characteristics have an effect on a person's abilities to be an entrepreneur. (Dollinger 1995: 10-11) Great effort has gone into understanding the psychological sources of entrepreneurship. (Sahlman 1999: 9) According to Littunen (2000), entrepreneurship has two schools of thought; the trait model and contingency thinking. The trait model usually questions why certain individuals start businesses and succeed as entrepreneurs. In the contingency thinking model, the entrepreneurial characteristics are restricted with the business' environment and the current situation. Personality characteristics are formed between the individual and the environment. Life situation,

experiences and changes in an individual's life play an important role. Since becoming an entrepreneur can make a change in an individual's life, it can also effect an individual's personality characteristics. (Littunen 2000: 295-296)

### 2.3 Entrepreneurial characteristics

According to Westhead et al. (2011) the possession of certain personality characteristics exposes an individual toward entrepreneurial behaviour. (Westhead et al. 2011: 59) Psychological characteristics should be an important part of entrepreneurship research. (Carland Jr. and Carland 1997: 35) A previous study shows that personality characteristics are one of the most general psychological theories used to explain and predict the behaviour of humans, including in entrepreneurship. (Ahmad 2010: 203) The psychological approach of entrepreneurship appeared in the 1960s, especially with McClelland's work at Harvard University. His research linked the need for achievement to entrepreneurial characteristics. He noticed that entrepreneurs had a higher need of achievement than non-entrepreneurs. He also learned that entrepreneurs were reasonable risk takers. Many other powerful research studies about entrepreneurial personality were conducted in the same time period as well. Over the last few decades, a great amount of psychological characteristics has been examined as possible sources for entrepreneurial performance. Much of this research surveyed characteristics that determine who is more likely to start a business. (Gupta and Muita 2013: 87) The activity of a new business is usually developed as a part of the entrepreneur's personal life strategy and it is largely characterized by the entrepreneur's personality characteristics. (Littunen 2000: 296-297) There is a lot of literature that intends to identify certain attractive personal characteristics for entrepreneurs starting a new business. (Zhang and Bruning 2011: 85)

Dollinger (1995) states that the need for achievement, the locus of control and the risk-taking propensity are the most discussed personality characteristics of an entrepreneur. (Dollinger 1995: 48-49) Similar to Dollinger, Chell (2008) states the "Big Three" characteristics as the need for achievement, locus of control and risk-taking propensity. (Chell 2008: 88) Also, Sahlman et al. (1999) claim that studies have noticed common characteristics among entrepreneurs, such as the need for achievement, locus of control and risk-taking propensity. (Sahlman et al. 1999: 9) On the other hand, Littunen claims

that when researching entrepreneurship, the most frequently applied theories are solely McClelland's (1961) theory of the need to achieve and Rotter's (1966) theory of locus of control, leaving the risk-taking propensity without attention. (Littunen 2000: 296) Kuratko and Hodgetts (2007) state that the individual approach consists of need for achievement, locus of control, risk-taking propensity, job satisfaction, former work experience, entrepreneurial parents, age and education. (Kuratko and Hodgetts 2007: 45) Westhead et al. (2011) claim that many detailed academic studies have emphasized the characteristics of need for achievement, locus of control, risk-taking propensity, need for autonomy, decisiveness, initiative, creativity, self-confidence and trust. (Westhead et al. 2011: 59) Conversely, Wickham (2006) considers that there are six wide approaches to defining the entrepreneur as a person. The six approaches that he discusses are the 'great person', social misfit, personality type, personality trait, social development approaches and cognitive approaches. In the 'great person' approach, an entrepreneur is someone special, a person who is born great and who will accomplish greatness. A social misfit is an entrepreneur who cannot fit into existent social situations and therefore, needs to create one of its own. In the personality type approach, individuals can be grouped into categories based on their responses on how they act in certain situations. The personality trait approach places traits in continuously changing dimensions and psychologists have differentiated three types of traits, which are the ability traits, temperamental traits and dynamic traits. In the social development approach, personality is a more complicated issue and it develops all the time. The three categories of factors are innate, acquired and social. The cognitive approach tries to develop an understanding of how people acquire and process information and utilize it to understand the world better. (Wickham 2006: 12-15) Burns (2005) claims that not all owner-managers are entrepreneurs. However, researching the characteristics of owner-managers of growing businesses allows a few broad conclusions of the different characteristics of both owner-managers and entrepreneurs. The characteristics of owner-manager entrepreneurs can be divided into two parts. The first part is related to the survival of the business and its characteristics can be found in the owner-manager. The second part is related to the growth of the business and its characteristics can be found in the entrepreneur. Since this particular study is focused on new businesses, the survival phase of the business is the one related to the topic. Therefore, despite the deceiving name, the traits of the owner-manager are the ones studied in this specific research paper. The characteristics included in the survival phase of the business are the need

for independence, the need for achievement, internal locus of control and the ability to live with uncertainty and take measured risks. (Burns 2005: 19-24)

Due to the word limit of a bachelor's thesis, the author will solely choose the three most important characteristics for closer scrutiny. Since various authors highlight the most important entrepreneurial personality characteristics as the need for achievement, locus of control and risk-taking propensity, these are the three characteristics further discussed below.

### 2.3.1 Need for achievement

In his work on economic development, McClelland first identified the need for achievement as a personality trait. (Dollinger 1995: 48-49) McClelland proposed that achievement motivation is the key to entrepreneurial behavior. (Chell 2008: 88-89) Similarly, previous studies provide empirical evidence on the association between the achievement motivation and entrepreneurial actions. However, studies have also doubted if it is possible to forecast business performance or entrepreneurial behaviour on the basis of only one value. (Westhead et al. 2011: 61) The need for achievement is usually referred to as a learned, stable characteristic where satisfaction is acquired by aiming for and accomplishing higher levels of excellence. The need for achievement was originally conceptualized as a fixed personal characteristic. However, recent studies have shown that it can evolve over time, especially by obtaining an advanced education. (Zhang and Bruning 2011: 86-87) Looking at the trait theory, McClelland's hypothesis can be seen as describing the required characteristics in entrepreneurship. The theory of the need to achieve claims that individuals who have a strong need to achieve commonly find their way to entrepreneurship and their success rate is higher than that of other entrepreneurs. (Littunen 2000: 296-297) McClelland identified a theory about the situations that stimulate achievement motivation. High achievers typically choose situations that are linked with responsibility, moderate risk-taking, knowledge of results of decisions, new instrumental activity and anticipation of possibilities in the future. An entrepreneur might be driven by the possibility of achievement satisfaction and not financial gain. (Westhead et al. 2011: 60-61) Conversely, to some entrepreneurs, monetary gain is an achievement while to others it can be public recognition. (Burns 2005: 19-24)



Many authors (Burns 2005, Westhead et al. 2011, Fine et al. 2012) claim that entrepreneurs tend to and should have a high need for achievement. Entrepreneurs with high levels of need for achievement typically try to set difficult goals for themselves and intend to achieve these goals, they are enthusiastic and they seek self-development. (Fine, et al 2012: 280-282) Also, entrepreneurs with a high level of need for achievement have a strong desire to solve problems by themselves, they like setting and achieving goals and they enjoy receiving feedback on their achievements. (Dollinger 1995: 48-49) Similarly, Chell (2008) claims that the need to achieve is the drive to shine, to achieve a goal. An individual with a high need for achievement is going to spend time trying to do a better job or trying to accomplish something important. These individuals are high achievers who like to take responsibility for finding solutions to issues, who like quick feedback on their performance to know if they have improved or not and who like to achieve targets that are challenging but not beyond their capabilities. They do not like to succeed by chance. (Chell 2008: 88-89) Similar to Chell, Westhead et al. (2011) define individuals with a high need for achievement as high achievers. These high achievers like to achieve challenging targets but not targets that are over their capabilities. Some high achievers will set up new business ventures. (Westhead et al. 2011: 61) Existing literature supports the image that entrepreneurs with higher levels of need for achievement are more likely to grow a more competitive and proactive organizational culture. (Zhang and Bruning 2011: 86-87) The individuals with a strong need to achieve are those who aim to solve problems themselves, set targets and endeavor for the set targets via their own efforts. According to many studies, a strong need to achieve is related to targets and the need to reach these targets. (Littunen 2000: 296-297) Additionally, Westhead et al. (2011) link the need for achievement to risk-taking. They claim that it takes into consideration the risk of the situation and the level of competence. (Westhead et al. 2011: 61) Individuals with a high need for achievement are more future oriented and they will take future goals oriented tasks seriously. (Ahmad 2010: 205)

### 2.3.2 Locus of control

Locus of control is another characteristic that is often associated with entrepreneurship. The theory of locus of control was developed by Rotter in the 1960s. (Chell 2008: 98) The concept emerged from Rotter's 'social learning theory' of what affect does a person's

perception of control have on their behaviour. The theory has been abandoned in psychology but it is still considered in entrepreneurship. (Westhead et al. 2011: 61) The theory of locus of control looks from different angles at the individual's understanding of the social environment and the knowledge gained from different situations. The locus of control of an individual can be either external or internal. (Littunen 2000: 296-297) The locus of control is understood as a determinant of the expectation of success. (Westhead et al. 2011: 61-62) Studies have shown a reasonably important association between internal locus of control and the likelihood of becoming an entrepreneur. (Westhead et al. 2011: 62) Similarly, in previous studies, locus of control has been found to distinguish entrepreneurs from non-entrepreneurs and to differentiate successful entrepreneurs from unsuccessful ones. (Ahmad 2010: 205) The internal locus of control is said to be an important characteristic of entrepreneurs. Entrepreneurs with high levels of internal locus of control usually see themselves as having more power and discretion and being more innovative. (Zhang and Bruning 2011: 87) Usually owner-managers have a strong internal locus of control. (Burns 2005: 19-24)

In the theory of locus of control, two different types of people emerge, the external and the internals. The internal locus of control is regularly associated with entrepreneurial characteristics. (Littunen 2000: 296-297) The externals believe that what happens to them is a result of forces beyond their control. On the other hand, the internals believe that the future can be controlled by efforts of their own. A logical way of thinking would be that the internals are more entrepreneurial than externals but there is no sufficient evidence to support this claim. (Dollinger 1995: 48-49) Individuals with an internal locus of control believe that they themselves are in control of their destiny. On the other hand, individuals with an external locus of control believe that fate has a strong influence over their lives. (Chell 2008: 98) Internal and external locus of control conceptualizes how people see their own actions affecting events surrounding their lives. People with internal locus of control usually believe that events are the results of their own actions and people with external locus of control believe that events are the results of external environmental factors. An entrepreneur with strong internal locus of control would believe that they themselves can make things happen and if their business succeeds or fails, it is due to their own actions. Entrepreneurs with high levels of internal locus of control might not be willing to give up the control of their businesses or to seek advice from customers, competitors or other external entities. These entrepreneurs want to create a competitive organizational culture that is driven by their own creative and

innovative ideas. (Zhang and Bruning 2011: 87) When believing that an individual has control over their environment and ultimately their fate, that individual has internal locus of control. If an individual believes in fate, he/she has external locus of control. This person is usually less likely to take the risk of starting a new business venture. Sometimes internal locus of control can have negative aspects. An owner-manager might want to maintain personal control over all the aspects of the business, he/she might show mistrust of the subordinates or he/she might be unwilling to part with shares of the business. (Burns 2005: 19-24) Entrepreneurs that have internal locus of control believe that their own actions decide the outcome of their business. Self-confidence is also related to internal locus of control. (Fine et al. 2012: 280-282)

An external locus of control refers to the type of attitude that focuses on the actions of other individuals, or on chance, luck or fate. The external locus of control hinders learning and stimulates passivity. An internal locus of control refers to the control over an individual's own life, where the results of the individual's actions are considered to be dependent on his/her permanent characteristics or his/her own behavior. The internal locus of control is related to learning, and therefore, motivates and supports active striving. The individual's locus of control changes along the external/internal line. However, researchers have suggested that the external and internal should be studied separately. As the internal and external control should be treated as two independent dimensions, therefore, different types of relationships might exist between the two dimensions. External control might be viewed as positive or negative control. Levenson's (1981) application of locus of control explains its three dimensions, which are an individual's belief in internal control, in control by others and in control by chance or fate. In this application, external control can be interpreted as two aspects. He argues that control by other people is more predictable, since a person has a potential to affect it. The locus of control is connected to turning thoughts into actions. (Littunen 2000: 296-297)

### 2.3.3 Risk-taking propensity

Risk taking is perceived as a characteristic that differentiates entrepreneurs from non-entrepreneurs and managers. (Ahmad 2010: 205) Also, according to extensive research, an essential characteristic of an entrepreneur is his/her risk-taking propensity. A risk-

taker is an individual who pursues a business idea even when the probability of succeeding is not high. Stereotypic impressions of an entrepreneur assume that an entrepreneur is usually a risk-taker. However, research shows that an entrepreneur takes only calculated risks. (Chell 2008: 101-102) Similarly, Westhead et al. (2011) claim that typically entrepreneurs are moderate risk-takers, even though economic theory suggests that entrepreneurs are risk-takers. Risk-taking depends on the vision of a situation and/or the entrepreneur's vision of being an expert. Risk-taking is also related to an entrepreneur's age, education, motivation, business experience and the numbers of years in business. (Westhead et al. 2011: 60-61) Also, Fine et al. (2012) define risk-taking propensity as the capability to take calculated risks. Entrepreneurs with a high level of risk-taking propensity are adventurous and daring, they look for excitement and stimuli, as well as being optimistic and energetic. (Fine, et al. 2012: 280-282) The risk-taking propensity is related to the need for achievement. The creation of a new business venture is risky and researchers have tried to determine whether entrepreneurs make riskier decisions than other people. (Dollinger 1995: 48-49) Human beings do not usually like risk or uncertainty but both owner-managers and entrepreneurs are willing to take risks and to live with uncertainty. Owner-managers and entrepreneurs have to live with the fact that they cannot control many aspects of the market they operate in. Additionally, they also have to be willing to take measured risks. (Burns 2005: 19-24) Conversely, some studies show that entrepreneurs are not interested in risk-taking any more than non-entrepreneurs. (Westhead et al. 2011: 60)

Based on the research on the entrepreneurial personality characteristics, a hypothesis can be created (H1): *The characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur.*

#### 2.3.4 Issues with the study of entrepreneurial characteristics

Studying entrepreneurship from the view of personality characteristics remains controversial. (Carland Jr. and Carland 1997: 35) Personality theories do not offer sufficient explanation on why some individuals engage in entrepreneurial behavior while others do not. (Westhead et al. 2011: 63) According to McNeil, et al. (1991), there seems to be a growing dissatisfaction with the search for key entrepreneurial characteristics. Ginsberg and Buchholtz state that the personality characteristics of an entrepreneur do

not seem to differ from the characteristics of a non-entrepreneur. Also, Gartner suggests giving up the trait approach and focusing on what entrepreneurs do. (McNeil, et al. 1991: 36) Similarly, Dollinger (1995, p. 49) claims that the trait approach has not succeeded in providing enough evidence for distinguishing entrepreneurs from others or the key elements of entrepreneurship. The approach focuses on the similarity among entrepreneurs when a theory of differences would be more important in this specific study. Additionally, Wickham (2006) states that although the trait approach is conceptually powerful, it raises many questions. The trait approach is not enough evidence to advocate or to advise against a person willing to become an entrepreneur. (Wickham 2006: 14) Many experts believe that business venturing is a process and the part of the individual is increasingly insignificant. They suspect that the psychological and social traits are not enough for the development of entrepreneurship and that characteristics are not universal. Also, historical studies do not show the same characteristics in entrepreneurs from previous times. (Chell 2008: 87) In a study by Gibb and Ritchie (1982), it is stated that to be able to fully understand entrepreneurship, it is crucial to understand the types of situation attained and the social groups to which the individuals relate. This model supposes that individuals change throughout life. (Littunen 2000: 297)

The methodological problems that arose when attempting to measure the personality characteristics of an entrepreneur were that the characteristics are not stable, they need subjective judgement, measures usually ignore environmental and cultural influences, the role of learning, training and education is many times left out and issues such as sex, social class, race and age might be ignored. (Burns 2005: 20-21) Issues with the trait approach have to do with the facts that a majority of the entrepreneurs do not have the ideal personality characteristics, non-entrepreneurs can have many of the ideal personality characteristics, studies might overestimate the importance of some of the characteristics, measurement methods are diverse, inconsistency with the empirical evidence base, some characteristics can be acquired by learning or experience, no single characteristic has been found that would explain why some people are more likely to become entrepreneurs, an individual's personality characteristics only have an indirect impact on specific behaviour, it neglects the importance of situational factors, some personality characteristics are innate and cannot be acquired and the theories focus on 'who the entrepreneur is' and not on 'what the entrepreneur does'. (Westhead et al. 2011: 63-64)

## 2.4 Defining entrepreneurial success

Entrepreneurial success is defined as the profit growth made by the business. (Ahmad 2010: 206) Both financial and non-financial measures of performance are used for evaluating entrepreneurial success. Some researchers have tried to define success in terms of turnover, sustainability and growth. Others have concentrated on the entrepreneurial characteristics as indicators of success. (Gupta and Muiita 2013: 88) A successful business is either able to quickly response to uncontrollable changes or it is so innovative that it promotes to change in the environment. (Sahlman 1999: 8)

## 2.5 Entrepreneurial characteristics and business venture performance

Zhang and Bruning (2011) claim that the success of a small business depends strongly on the human capital of their owner-manager. (Zhang and Bruning 2011: 82) Also, a complexity of psychological attributes is required for an entrepreneur to be successful. (Fine et al. 2012: 280)

Empirical evidence supports that an entrepreneur's personal characteristics have a direct effect on the business' performance. (Zhang and Bruning 2011: 82-86) Entrepreneurial personality has become an important aspect in context with business performance and a growing number of studies have been dedicated to entrepreneurship in the last years. (Halim et al. 2011: 183) In a research study by Gupta and Muiita (2013), a number of research studies from the last few years about entrepreneurial characteristics and business venture performance are introduced. In 2004, Baum and Locke researched the link between entrepreneurial characteristics and the impact they have on the growth of a business venture. They examined a sample of 229 entrepreneur-CEOs and 106 associates during a six (6) year period. From this research, they found out that entrepreneurial personality and the characteristics of an entrepreneur have a direct effect on the growth of a business. Similarly, in 2008, Wijewardena, Nanayakkara and De Zoysa learnt that there is a strong relationship between the owner/manager's personality and the financial performance of a business. Also, in 2007, De Zoysa and Herath found out that the stronger the entrepreneurial personality of the manager, the better the performance of the business is. In addition, in 2010, Dickers, Jansen, de

Lange, Vinkenburg and Kooij discovered that entrepreneurial personality is linked to increased engagement and therefore, better business performance. Conversely, in 1996, McKenna stated that occasionally entrepreneurs might affect business performance negatively through the 'dark side' of their personality. (Gupta and Muita 2013: 88)

Previous research indicates that there is a positive relationship between the need for achievement and entrepreneurship. The research also indicates that entrepreneurs who have a higher need for achievement are more likely to be successful. There exists a unanimity on the positive relationship between managerial need for achievement and successful business performance. Prior research also shows a positive impact between internal locus of control and business performance. Literature also clearly displays a positive relationship between internal locus of control and entrepreneurial behaviours. However, more evidence is still needed on the topic. (Zhang and Bruning 2011: 82-87) Similarly, Littunen (2000) claims that achievement motivation and the locus of control have been presumed to explain success as an entrepreneur. Positive external control co-operates with and supports personal control, which increases the expectancy of success. Negative external control impedes and limits personal control, which decreases the expectancy of success. They also differentiate entrepreneurs from other people. (Littunen 2000: 296-300) Some studies have noticed a minor link between internal locus of control and superior business performance. (Westhead et al. 2011: 63) Also, Wickham writes about David McClelland's 'the need for achievement' (along with other characteristics) being the fundamental driving characteristic in the personality of successful entrepreneurs. Other important factors are the need for control, the need for autonomy, the need for independence, creativity, the desire to face risks and the desire to show leadership qualities. (Wickham 2006: 12)

According to Littunen (2000), the typical characteristics of a successful entrepreneur are innovativeness, the ability to take risks and to co-operate, market and manufacturing knowledge, as well as, business management and marketing skills. Also, the ability to identify and grasp profitable business opportunities, to be able to correct errors effectively, the desire to take risks and a good nose for business are all characteristics of a successful entrepreneur. (Littunen 2000: 295) In their article about entrepreneurship success and failure, McNeil et al. (1991) claim that the success characteristics of an entrepreneur are the ability to learn from failure, integrity and reliability, low need for status and power, calculated risk taking, tolerance for ambiguity, stress and uncertainty,

persistence, orientation to opportunities and goals, drive to achieve and grow and complete commitment, determination and perseverance. (McNeil, et al. 1991: 35)

Based on the research on the entrepreneurial characteristics and the performance of a business venture, a hypothesis can be created (H2): *The characteristics of an entrepreneur influence the performance of a business venture.*

### 2.5.1 Issues with the study of entrepreneurial characteristics and business venture performance

Linking the personal characteristics of an individual to the success of a business venture can be very problematic. The success of a business venture is the outcome of many different factors, the personal characteristics being only one of them. (Burns 2005: 20) For a long time, researchers have studied what criteria make entrepreneurial businesses more likely to succeed. Still, a thorough theory of success is still missing. (Zhang and Bruning 2011: 94) Additionally, prior research has not been able to separate the psychological dimensions that differentiate successful entrepreneurs from others. (Ahmad 2010: 203) Similarly, Carsrud claims that there is no clear link between the personality characteristics of an entrepreneur and business success. Also, in a study by Perry, Meredith and Cunnington, using multiple regression analysis, they compared the economic performance of entrepreneurs. They reported that personality trait data was washed out, except for achievement motivation of which low levels were reported. However, the study revealed that various situational factors had great influence on the growth of a business. From the study, a possibility emerges that business success might not be the result of 'having the right stuff' but rather, 'being in the right place at the right time'. Many characteristics are frequently associated with the success of a business, however, it is important to be able to demonstrate a cause relationship between the characteristics and entrepreneurial success. Researchers have indicated this matter by measuring the characteristics of successful entrepreneurs and comparing them with the characteristics of failed entrepreneurs. Some researchers claim that certain characteristics distinguish successful entrepreneurs. McClelland reported traits such as initiative, assertiveness and achievement orientation related to successful entrepreneurs. However, many others have reported different results. Cooper reported a decline in optimism as experience increased, Brockhaus' analysis questioned a high level of risk-



taking for entrepreneurs, Hay, Kash and Carpenter found out that the study of locus of control did not differentiate successful entrepreneurs from unsuccessful ones and Karagozoglu and Brown reported about the ability of an entrepreneur being positively correlated with success, not the personality of the entrepreneur. (McNeil, et al. 1991: 36)

### 3 Findings and analysis

The author is now finished with the theoretical research of the concepts concentrating on entrepreneurship, the entrepreneur, the characteristics of the entrepreneur and their effects on the performance of a business venture. The original research question of the thesis was *'what effect do the personality characteristics of the entrepreneur have on the performance of a new business venture'* and the sub-question was *'how do the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur'*. Based on these two questions, the two hypotheses of the thesis were created:

H1: *The characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur.*

H2: *The characteristics of an entrepreneur influence the performance of a business venture.*

In the next two chapters, the author will analyze the hypotheses created in the literature review and simultaneously aim to answer the two research questions of the paper. The author will do this by applying the theory obtained in the literature review, as well as by using previous studies regarding the research topic in question.

#### 3.1 Analysis of hypothesis 1

The first hypothesis of the research paper is *'the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur'*. This is directly related to the sub-questions of the research paper *'how do the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur'*. To be able to analyze the first (1) hypothesis and to be able to answer the sub-question of the research paper, the author will introduce two (2) studies related to this specific research area. The author will introduce the aims of the studies, explain how they were conducted and introduce the results of the studies.

In 2000, Littunen conducted a study where the aim was to compare the motivation to achieve and the locus of control in different periods of entrepreneurship. A central study theme was that the decision to become an entrepreneur is not random. The differences can be found in the attitudes and values of the entrepreneur, as well as in the experiences and growth environment of the entrepreneur. Firstly, the study aims to investigate if becoming an entrepreneur involves a radical change in the entrepreneur's life so great that it affects his/her personality characteristics. The researcher investigates the changes in the personality characteristics of the entrepreneur, what he/she has learned and the state of his/her independence, which are all following Rotter's (1966) theory of locus of control. Secondly, the study aims to investigate whether an increase in the co-operation between entrepreneurs enhances their achievement motivation. The researcher investigates the effects of the entrepreneur's professional support system on his/her personality characteristics. Thirdly, the study aims to investigate whether a decrease in co-operation between entrepreneurs decreases the control of powerful others. The researcher investigates the control of powerful others in terms of social relationships. Fourthly, the study aims to investigate whether an increase in the number of the entrepreneur's personal interest networks enhances the achievement motivation. (Littunen 2000: 297-299)

The subjects of the study were Finnish businesses in the metal industry and business services that had started in 1990. The data was collected via interviews on five different occasions during the years 1992-1996. The study concentrated on 123 functional businesses, mainly small in size. Around 60 percent of the businesses studied had less than five employees, the rest had more than five employees. Over 45 percent of the entrepreneurs had only finished elementary school and a majority of them had their background in small or medium-sized businesses. The entrepreneur's achievement motivation was measured by four different dimensions that each consisted of four different items. These dimensions were work ethic, pursuit of excellence, mastery and dominance. The entrepreneur's locus of control was measured by three different dimensions. These dimensions were internal attributing, chance attributing and powerful others. Interviews were carried out in 1992 during the start-up phase of the business, measuring the personality characteristics of the entrepreneurs. It was repeated in 1996 during the fifth phase. Also, the variables of the entrepreneurs' personal network were calculated in 1992 and 1996. The differences between the entrepreneur's personality measurements were compared by a t-test and the effects of changes in personal

networks on the entrepreneurs' personality characteristics were investigated. (Littunen 2000: 299-300)

The results of the study support the view that a change in life forms the characteristics of an entrepreneur. Also, the results of the study support the rejection of the view that an increase in the co-operation between entrepreneurs would improve their achievement motivation. Changes in the amount of co-operation did not make a difference to the achievement motivation of the entrepreneur. Additionally, the results support the view that a decrease in co-operation between entrepreneurs decreases the control of powerful others. However, there were no changes in the group of "increase in co-operation". Lastly, the study results support the view that an increase in personal interest networks enhances the entrepreneur's achievement motivation. However, one should presume that changes in the group "no changes in personal interest networks" can be explained by other factors in the environment and as an effect of the entrepreneur's learning process. (Littunen 2000: 301-304)

Therefore, the results of the study by Littunen (2000) support the assumption of the first (1) hypothesis.

In 2010, Ahmad conducted a study where the aim was to examine whether entrepreneurs are different from non-entrepreneurs and also, what differentiates entrepreneurial CEOs from the professional CEOs. The study investigates the five important motivational motives such as the need for achievement, locus of control, risk taking propensity, ambiguity for tolerance<sup>1</sup> and type-A personality<sup>2</sup>. The study group was Pakistani entrepreneurial and professional CEOs and top managers. The study was carried out in Islamabad and Rawalpindi. The majority of the businesses studied were small or medium enterprises. The study utilized simple random sampling technique and the sample was observed to be representative. 190 respondents were contacted and the sample was composed of 124 participants, 62 of each. All of the respondents were considered to be successful. The response rate of the study was 65%. (Ahmad 2010: 203-206)

The need for achievement was measured by five items from Edwards Personal

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<sup>1</sup> The propensity to understand ambiguous conditions as desirable. (Ahmad 2010: 205)

<sup>2</sup> An action-emotion system found in an individual who is strongly involved in a long-term, continuous struggle to achieve more in less time. (Ahmad 2010: 205)

Preference Schedule (EPPS) (Edwards 1959), locus of control was measured by six items taken from Rotter's scale (Rotter 1966), the risk-taking propensity was measured by six items taken from the Jackson Personality Inventory (JPI) (Jackson 1976), the tolerance for ambiguity was measured by five items taken from Tolerance-Intolerance of Ambiguity scale (Budner 1962) and the Type-A personality was measured by five items taken from The Framingham scale of the A/B typology (Chesney and Rosenman 1980). Levene's test was applied in the first stage and it revealed that the data qualified for t-Test. T-Test was applied in the second stage to investigate the motivational disparities between entrepreneurial and professional CEOs. All of the variables in the study were standardized to a five-point scale. (Ahmad 2010: 206)

The results show that entrepreneurial CEOs have a higher need for achievement, locus of control, risk-taking propensity and tolerance for ambiguity than professional CEOs. Professional CEOs have a greater type-A personality motive than entrepreneurial CEOs. Entrepreneurial CEOs are more likely to be motivated by need for achievement, locus of control and tolerance for ambiguity. Entrepreneurial CEOs are more likely to deal with risk-taking propensity. Professional CEOs are type-A personality. Therefore, the study states that there is an important difference between entrepreneurial and professional CEOs. This study shows that entrepreneurial CEOs personality traits and motivational profile are different. (Ahmad 2010: 206-209)

Therefore, the results of the study by Ahmad (2010) support the assumption of the first (1) hypothesis.

The literature review holds an encompassing theoretical framework of the concept of the entrepreneurial individual. Chapter 2.2 in the literature review explains about the individual approach of entrepreneurship. The individual approach of entrepreneurship claims that individuals with certain characteristics are more likely to become entrepreneurs. The approach states that entrepreneurs possess specific values, attitudes and needs. Entrepreneurs also differ from other people in their way of thinking. Chapter 2.3 in the literature review focuses on entrepreneurial characteristics, the trait view of the individual approach. The trait view states that the possession of certain personality characteristics exposes an individual toward entrepreneurial behavior. Over the last few decades, a great amount of psychological characteristics has been examined as possible causes for entrepreneurial performance. The theory of the need to achieve claims that individuals who have a strong need to achieve commonly find their way to

entrepreneurship. Many authors claim that entrepreneurs usually have a high need for achievement. Locus of control has also been found to distinguish entrepreneurs from non-entrepreneurs. Risk taking is perceived as a characteristic that differentiates entrepreneurs from non-entrepreneurs. Conversely, some studies show that entrepreneurs are not interested in risk-taking any more than non-entrepreneurs. Chapter 2.3.4 in the literature review mentions the issues with the study of the trait view. Many authors agree that the theories of personality do not offer enough explanation on why some people become entrepreneurs while others do not. Some authors also think that the characteristics of an entrepreneur do not seem to differ from the characteristics of a non-entrepreneur. (see pages 9-17)

The parts of the literature review that support the trait view, also support the assumption of the first (1) thesis. The parts of the literature review that do not support the trait view, neither support the assumption of the first (1) thesis. However, the coherent results of the studies by Littunen (2000) and Ahmad (2010) provide enough evidence to support the trait view, despite the contrary arguments against the trait view shown in chapter 2.3.4 of the literature review.

Therefore, based on the results of the studies conducted by Littunen (2000) and Ahmad (2010), as well as, the findings supporting the trait view, the first (1) hypothesis '*the characteristics of an entrepreneur differ from the characteristics of a non-entrepreneur*' is valid.

### 3.2 Analysis of hypothesis 2

The second hypothesis of the research paper is '*the characteristics of an entrepreneur influence the performance of a business venture*'. This is directly related to the research question of the paper '*what effect do the personality characteristics of the entrepreneur have on the performance of a new business venture*'. To be able to analyze the second (2) hypothesis and to be able to answer the research question of the paper, the author will introduce four (4) different studies related to this specific research area. The author will introduce the aims of the studies, explain how they were conducted and introduce the results of the studies.

In 2011, Zhang and Bruning conducted a study about how entrepreneurs use their skills and experiences to influence their business' performance. The writers also show that the entrepreneur's personal characteristics influence their strategic choices and how this influences the business' performance. In their study, they take a resource-based view and observe the personal characteristics of an entrepreneur as human capital resource endowments, examining them in the context of performance and strategy. The personal characteristics included in the study are internal locus of control, need for cognition<sup>3</sup> and need for achievement. The researchers used a cross-sectional survey-based method to be able to collect the data systematically. They claim that this method is the least exposed to researcher bias in the collection, analysis and interpretation of the data. They administered a mail survey to small to medium sized businesses in the Canadian manufacturing industry and a sample of 2200 companies was selected. They chose to sample the highly populated and quite versatile manufacturing industry to be able to allow the results to be generalized to a larger population, but still, to be able to keep the environmental factors comparable. The business owners or manager were contacted by mail, informed about the study and asked to fill out a survey questionnaire. The survey got 161 responses, which represented an eight (8) percent response rate. The need for achievement was measured with a five-item, seven-point Likert scale, internal locus of control was measured with a seven-item, seven-point Likert scale and the need for cognition was measured with a 34-item long scale and an 18-item shorter version. Firm performance was measured with a three-item, seven-point perceptual measure of a business' performance relative to competition. (Zhang and Bruning 2011: 82-91)

The data confirms that need for achievement has a statistically important positive influence on a business' performance. The data also confirms that internal locus of control has a statistically important positive influence on a business' performance. Additionally, the data confirms that need for cognition has a marginally important positive influence on a business' performance. Coherent with previous studies and theories on the subject, in their study, Zhang and Bruning (2011) were able to provide empirical support for the positive direct and indirect relations between an entrepreneur's personal characteristics (the need for achievement, internal locus of control and need for cognition) and the business' financial performance. Their findings provide evidence that human capital is an important resource endowment and the owners and managers

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<sup>3</sup> A tendency to enjoy and to engage in thinking. (Zhang and Bruning 2011: 86-88)

have an important role in the success of their businesses. However, the small sample size and the low response rate limit the study. (Zhang and Bruning 2011: 92-96)

Therefore, the results of the study by Zhang and Bruning (2011) support the assumption of the second (2) hypothesis.

In 2012, Fine et al. conducted a study aiming to find the psychological aspects of a successful entrepreneur in China. Many researchers have tried to survey the psychological profile of successful entrepreneurs in Western countries but not many have done this survey with the Chinese entrepreneur. Although there were some differences between studies, a rather consistent personality profile comes out from different literature, as well as, the local job analysis of the researchers of the study. This personality profile includes the achievement motivation, risk-taking propensity, tolerance for ambiguity, perseverance<sup>4</sup>, internal locus of control, interpersonal collaboration<sup>5</sup>, autonomy and independence<sup>6</sup>, openness and flexibility<sup>7</sup> and good citizenship<sup>8</sup>. (Fine et al. 2012: 280)

Data were collected from 193 Chinese entrepreneurs who are living and working in a big city in Eastern China. These people had been entrepreneurs for more than three months and were all graduates of a local government sponsored entrepreneurial training programs. When the data was collected, their businesses were under periodical observation by professional government auditors. The average age of the participants was 38,5 years old and sixty-eight percent of them were male and twenty-nine were female. For measuring personality, they used the Job Performance Personality Inventory (JPPI), which has 30 facet scales, with 14 items each and 5 domain scales. Two criteria measure were developed; auditor appraisals and self-appraisals. The auditor appraisal

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<sup>4</sup> The capacity to continue towards one's business goals when facing misfortune. (Fine, et al. 2012: 281)

<sup>5</sup> Setting up a new business demands interacting with various individuals to create and use formal and informal personal networks. These interactions are made easier by the capability to form interpersonal co-operations. (Fine, et al. 2012: 281)

<sup>6</sup> Being autonomous and independent, not being dependent on others. (Fine, et al. 2012: 281)

<sup>7</sup> Openness to experience. (Fine, et al. 2012: 282)

<sup>8</sup> To be able to trade sincerely and honorably in a business. (Fine, et al. 2012: 282)



was developed to evaluate important personality traits, skills, abilities and performance. Every one of the four dimensions was represented by 10 to 13 items, each on a 5-point scale. The self-appraisal included a set of 10 self-report items that measured many aspects of successful entrepreneurship. All of the data was collected through an online testing platform, all of the testing was done in controlled testing centers, where the researchers closely monitored the process and gave instructions to all participants and raters. (Fine et al. 2012: 283-285)

The study provides evidence that several personality traits (among other factors) were predictive of successful entrepreneurs in China. The researchers found out that extraversion (from risk-taking propensity) and openness (tolerance for ambiguity) were the most related traits to the success of Chinese entrepreneurs. Also, the results show that individuals who are agreeable, conscientious, open to experience and extraverted might have more success as entrepreneurs. Connected to prior research, the study proves that traits related to risk-taking propensity, tolerance for ambiguity, openness and flexibility and self-confidence are positively related to entrepreneurial success. This shows that these attributes are important for successful entrepreneurs in all cultures, countries and societies. (Fine et al. 2012: 285-288)

Therefore, the results of the study by Fine et al. (2012) support the assumption of the second (2) hypothesis.

In 2013, Gupta and Muijtava conducted a study where the aim was to find the possible interactions between operations strategy and entrepreneurial characteristics, business performance and job satisfaction. The study was carried out with 1200 SMEs (businesses between 10 and 499 employees) in the Lynchburg City region and they used an administered survey instrument. The first mailing was sent out through e-mail and the questionnaire used in the study had already been tested reliability. The response rate of the study was 11,83 percent. A number of regressions were run using entrepreneurial personality and business performance as the dependent variables. To be able to investigate the moderating hypotheses, the researchers performed a hierarchical regression analysis. They used moderated regression analysis and used business performance as the dependent variable. (Gupta and Muijtava 2013: 89)

The results show that entrepreneurial personality has a notable relationship with business performance. Findings of the moderation analysis show that entrepreneurial

personality affects business performance stronger and more positively among those who have an operations strategy in place. (Gupta and Muita 2013: 90)

Therefore, the results of the study by Gupta and Muita (2013) support the assumption of the second (2) hypothesis.

In 2011, Halim et al. conducted a study where the aim was to measure whether a better entrepreneurial personality will affect the performance of a business. The study examined Terengganu creative entrepreneurs who were registered with Kraftangan Malaysia, Terengganu. To make the investigating of the variable possible, a quantitative approach with designing of questionnaire was adopted. 107 questionnaires were distributed to the entrepreneurs and 105 of them responded. The characteristics of the entrepreneurial personality studies were the need for achievement, creativity, innovative, locus of control and grab market opportunities. The variables investigated were found to be of high reliability. (Halim et al. 2011: 183-185)

The results show that there was a significant linkage between entrepreneurial personality and business performance. The study showed that there are only two factors of the entrepreneurial personality that are correlated with business performance. These factors are locus of control and grab market opportunities. The other factors of entrepreneurial personality do not have a strong relationship with business performance, but they still exist. These factors are innovative, creativity and need for achievement. (Halim, et al. 2011: 186)

Therefore, the results of the study by Halim et al. (2013) support the assumption of the second (2) hypothesis.

Chapter 2.5 in the literature review explains about the entrepreneurial characteristics and how they are related to the performance of a business venture. Empirical evidence supports that an entrepreneur's personal characteristics have a direct impact on the business' performance. Various studies show that entrepreneurial personality and the characteristics of an entrepreneur have a direct effect on the growth of a business. Research indicates that entrepreneurs who have a higher need for achievement are more likely to be successful. Prior research also shows a positive impact between internal locus of control and business performance. Chapter 2.5.1 in the literature review focuses on the issues with the study of entrepreneurial characteristics and business venture

performance. For a long time, scholars have studied what criteria make entrepreneurial businesses more likely to succeed. Still, a thorough theory of success is still missing. Prior research has not succeeded in separating the psychological dimensions that differentiate successful entrepreneurs from others. Many authors claim that there is no clear link between the personality characteristics of an entrepreneur and business success. (see pages 19-21)

The parts of the literature review that support the view that the personality of an entrepreneur is related to business performance, also support the assumption of the second (2) thesis. The parts of the literature review that do not support the view that the personality of an entrepreneur is related to business performance, neither support the assumption of the second (2) thesis. However, the coherent results of the studies by Zhang and Bruning (2011), Fine e al. (2012), Gupta and Muita (2013) and Halim et al. (2013) provide enough evidence to support the view that the personality of an entrepreneur is related to business performance, despite the contrary arguments against this view shown in chapter 2.5.1 of the literature review.

Therefore, based on the results of the studies conducted by Zhang and Bruning (2011), Fine e al. (2012), Gupta and Muita (2013) and Halim et al. (2013), as well as, the findings supporting the relationship between the trait view and business performance, the second (2) hypothesis *'the characteristics of an entrepreneur influence the performance of a new business venture'* is valid.

## 4 Discussion and conclusions

As the introduction of the research paper states, entrepreneurship has been a highly studied topic in recent decades. Entrepreneurship is a broad area of study and the amount of literature on the topic is considerable. It is possible to find contradicting sources and many authors disagreeing on the topic. Defining the terms of entrepreneurship and the entrepreneur turned out to be quite a challenge and many valuable, yet even conflicting definitions were introduced in this research paper. For the purpose of this study and the general topic of the paper, the author intended to use a variety of sources from different countries and time periods. However, as the research is based solely on secondary sources, the author had to rely on the viewpoints taken by the original authors of these sources. This created a challenge for the author throughout the research process.

In this paper, the research scope was the entrepreneur as an individual. This way, the author made it possible to keep the scope concise enough for a bachelor's thesis. As the focus of this paper was the entrepreneur as an individual and the characteristics of an entrepreneur, authors seemed to mostly agree on these matters. Despite a few differing opinions, most of the authors cited in this paper arrived at the conclusion that the most important and the most studied characteristics of an entrepreneur are the need for achievement, locus of control and the risk-taking propensity. These were the characteristics further studied in the paper. The literature review of the research paper provided sufficient theoretical framework for the author to create the two (2) hypotheses of the study.

The findings of the literature review and the prior studies introduced assisted the author in being able to answer the two (2) hypotheses created, as well as, the research questions of this bachelor's thesis. The theoretical research of the characteristics of the entrepreneur indicates that the characteristics introduced in the research paper are in fact unique to an entrepreneur. The results of the two (2) studies introduced share this view. The literature review of the paper also shows that these mentioned characteristics are of great importance when researching the performance of a business venture. The results of the four (4) studies introduced report this as well. Therefore, the author can

conclude this research paper by stating that the thesis statement of the paper '*the performance of a new business venture is affected by the personality characteristics of the entrepreneur*' can be called true.

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