A Theoretical Analysis of the Role of Characteristics in Entrepreneurial Propensity

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Research summary

The literature reveals a broad range of inconsistencies in defining entrepreneurship and in identifying personal characteristics that predict and explain the phenomena of entrepreneurship. The purpose of this work is to propose a model for consistency in predicting entrepreneurial propensity. This article acknowledges categories of entrepreneurs such as: business enterprise creating entrepreneurs, social entrepreneurs, student entrepreneurs, academic entrepreneurs, and corporate entrepreneurs. The proposed theory is specifically focused on business enterprise creating entrepreneurs, defined as Type One. These are individuals who risk their personal capital, time, and reputation in the pursuit of business ventures. Existing theories and observations regarding affect and personality as characteristics of entrepreneurs are reviewed and a new three-dimensional taxonomy of personal characteristics for predicting Type One entrepreneurial propensity is introduced.

Managerial summary

The academic literature has revealed a wide range of definitions of entrepreneurship and this has resulted in inconsistent conclusions for defining and predicting entrepreneurial propensity. This has likely proven problematic for educational institutions interested in expanding entrepreneurial programs, governmental agencies interested in promoting localized economic activity, and lending institutions that wish to strengthen their confidence in entrepreneurs to whom they lend operating capital. This theory article is designed to propose a path to clarity and offer a model for predicting business enterprise creating entrepreneurs. These individuals are defined as Type One entrepreneurs, represented by those who risk their personal capital, time, and reputation in the pursuit of business ventures. A new three-dimensional taxonomy of personal characteristics of these individuals is proposed.
INTRODUCTION

Entrepreneurship is a vibrant field of study that has experienced continuous change including the expansion of issues and accumulation of perspectives with which entrepreneurs can be distinguished as a subset of managers (Rindova, Barry, and Ketchen, 2009). Its vibrancy has led to a rich array of definitions of entrepreneurship and ‘conceptual frameworks of the entrepreneurial process’ (Leyden, Link, and Siegel, 2014: 1157). The range of conceptual interpretation of entrepreneurship includes: ‘efforts to create new economic, social, institutional, and cultural environments’ (Rindova et al., 2009: 477), the creation of new organizations (Gartner, 1988), the identification and exploitation of opportunities (Hitt et al., 2001), and the ‘scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited’ (Shane and Venkataraman, 2000: 218). Busenitz et al. (2003: 285) believe entrepreneurship is a multilevel phenomenon and that research should focus at the ‘intersection of the constructs of individuals, opportunities, modes of organizing, and the environment.’ Further, Busenitz et al. (2003) suggest interpreting entrepreneurship in terms of networks and information flow will provide the opportunity for a clearer understanding of how the characteristics and heuristics of individuals influence the entrepreneurship process. Some scholars interpret entrepreneurship as transcending the boundaries of business enterprise development by including student organizations, social organizations, and entrepreneurial behaviors within established organizations (cf. Mair and Marti, 2006; Mars, 2009; Kofsten and Jones-Evans, 2000; Powers and McDougall, 2005; Morris, Kuratko, and Covin, 2008). The vast array of methods for interpreting and defining entrepreneurship suggests the field lacks a generally accepted definition and uniting conceptual framework and theory (Iversen, Jorgensen, and Malchow-Moller, 2008). Perhaps a step toward a generally accepted definition and unifying conceptual framework of entrepreneurship is to trichotomize the construct into sectors: (1) entrepreneur characteristics; (2) entrepreneuring processes; and (3) enterprise corollary, each as a distinct field of study.

Figure 1. Entrepreneurship as a three-sector construct
THEORY DEVELOPMENT

The central focus of this article is on the theory surrounding entrepreneur characteristics. For the purpose of this work, entrepreneurs are defined as individuals who have risked or intend to risk their personal capital, personal time, and/or personal reputation in pursuit of business ventures. These individuals will be described as Type One entrepreneurs as a method of differentiating them from other individuals who may be engaged in other types of entrepreneurial endeavors. Type One entrepreneurs can fail at multiple business attempts before finally succeeding, therefore issues surrounding success and failure are not considered crucial in predicting Type One entrepreneurial propensity. The primary objective behind this work is to develop a new, verifiable theory for more consistently predicting this entrepreneurial propensity.

Scholars have confirmed that entrepreneurs continually demonstrate unique characteristics (Barrick and Mount, 1991; Ciavarella et al., 2004; Zhao, Siebert, and Lumpkin, 2010). However, a model of personal characteristics for consistently predicting entrepreneurial propensity remains elusive. Historically, characteristics of entrepreneurs have been investigated from one of two perspectives or dimensions: affect or personality. For example, Baron (2008), created a model of affect for conceptualizing how this particular dimension might explain and predict the ability of entrepreneurs to recognize opportunities and act to acquire resources. Other scholars, such as Adenuga and Ayodele, have used the conceptual model of personality traits to study and predict entrepreneurial behaviors. These single-dimensional models of affect and personality provide some foundation for researchers. However, if they are combined and then merged with a new third dimension, work ethic, a more reliable predictive multidimensional model for Type One entrepreneurial propensity will emerge. This new model amalgamates positive affect with other potentially potent predictors of entrepreneurial behaviors. While the potent predictors have been isolated from academic studies, there is no evidence that these previously have been combined into a multidimensional model for predicting entrepreneurial behaviors.

Identifying the collection of personal characteristics that propel individuals toward entrepreneurial propensity would be a major contribution to management science and, in particular, to the domain of entrepreneurship research. It is noted that external factors shaping or influencing these characteristics—such as early life experiences, family entrepreneurs, unique enterprise opportunities, supportive environments, or other positive external conditions—provide beneficial platforms for entrepreneurs. These external influences are crucial areas for comprehensive investigations by scholars; however, they are not the central focus of the multidimensional personal characteristics model proposed in this work. The proposed model is centered on identifying the distinguishing characteristics of Type One entrepreneurs as they exist rather than on how these characteristics were shaped or influenced by external conditions surrounding entrepreneurial activities.

Issues influencing entrepreneurial engagement can be indistinct, particularly when the predictors become personal or professional experiences rather than personal
characteristics. For example, an intriguing and comprehensive study into the influence of professional experiences suggested job mobility may influence entrepreneurial tendencies. After an intensive study of scientists, Krabel, Siegel, and Slavtchev (2012) determined that a positive relationship exists between career mobility and propensity to engage in academic entrepreneurship. They concluded that foreign-born scientists have a greater likelihood of becoming entrepreneurs than native scientists. The question, of course, is whether mobility or professional experience is the fundamental stimulator of entrepreneurial behaviors, or whether these behaviors are more closely affiliated with preexisting personal characteristics. It is posited that personal characteristics are the triggers leading to the willingness and ability to recognize and capitalize on enterprise opportunities with professional experiences, opportunities, and supportive environments serving as auxiliary reinforcements. In other words, without a unique set of characteristics, regardless of supportive external factors, individuals are unlikely to engage in the entrepreneurship process. Therefore, it is suggested that the key to understanding entrepreneurial engagement is a comprehensive study of personal characteristics.

We propose that entrepreneurs, whether grassroots or highly educated and professionally experienced, have a set of distinguishing personal characteristics and that investigating these can lead to a better understanding of the entrepreneurial phenomenon. For example, the personal characteristics of entrepreneurs tend to reveal that they are more optimistic and are less risk averse (Astrebro, Braunerhjelm, and Brostrom, 2013), more conscientious (Ciavarella et al., 2004), and more motivated toward autonomy or self-reliance (Rindova et al., 2009).

The taxonomy of personal characteristics proposed is trichotomized into: (1) affect; (2) personality; and (3) work ethic (see Figure 2). The crucial factor/trait within each are then molded into a model of entrepreneurial propensity. Prior research has tended to focus on only one dimension of personal characteristics rather than investigating all three simultaneously. It is believed that entrepreneurs are distinguishable by a combination of personal characteristics that transcend any one of the three individual dimensions and when these are investigated concurrently, the likelihood of misleading or inconsistent findings is moderated.

![Figure 2. Taxonomy of entrepreneur-focused research](image-url)
Affect

Affect is conceptualized as a combination of state (event-generated) affect and trait (dispositional) affect. State affect represents shifts in current moods associated with external events, while trait affect is indicative of a more static tendency across different situations. State and trait affect have been shown to have parallel consequences, with overall positive affect being more frequently associated with entrepreneurial behavior (Baron, 2008). Perhaps the most entrepreneur pertinent elements of affect are those associated with moods and cues for reactions (Baron, 2008).

Clearly, affect has linkages with personality. For example, neuroticism (the opposite end of the emotional stability continuum) is associated with negative affect, while extraversion is associated with positive affect (Gross, Sutton, and Ketelaar, 1998). Negative affect is a trait associated with feelings of helplessness and negative expectancy of the future, while positive affect is linked to optimism and effective coping strategies during periods of stress (Lindahl and Archer, 2013). Nevertheless, while there are some peripheral overlaps among the dimensions of affect, personality, and work ethic, each has a distinct range in that they address issues not considered by the others and provides unique additional information with respect to differences across individuals (Miller, Woehr, and Hudspeth, 2002).

In general, affect relates to moods, inferences, perceptions, judgments, and cognitive processes and while individual traits within the dimension of affect are identifiable, they are also strongly symbiotic. Individual traits that may be exceptionally relevant to studies of entrepreneurs include: positive moods, since entrepreneurs are assumed to be optimistic about their own ideas; perceptions, particularly of risks since business venturing can involve considerable risk to personal time, capital, and reputation; inferences since these are cues for reactions to opportunities (cf. Baron, 2008; Baron, Tang, and Hmieleski, 2011; Fujita, Diener, and Sandvik, 1991); cognitive processes, since strategies are employed during intense and persistent stress (Lindahl et al., 2013), which entrepreneurs will almost certainly face. In general, overall positive affect is considered an important personal characteristic of entrepreneurs since positive affect is ‘associated with increased energy, enhanced cognitive flexibility, increased generation of new ideas, greater confidence, adoption of efficient decision-making strategies...’ (Baron et al., 2011: 101).

Personality

Social psychologists have long been interested in the relationship between work commitment, work effectiveness, and entrepreneurs. Since behavior occurs in accordance with an individual’s personality, ‘it is reasonable to presume individual differences in opportunity recognition, opportunity exploitation, innovation, and value creation is at least partly a function of an individual’s personality’ (Leutner et al., 2014: 58). John, Naumann, and Soto (2008) noted that the personality trait/performance relationship is particularly applicable to self-employed individuals. Matching the personality to the work requirement has long been considered important. Goldberg (1993) provided evidence of the work/personality significance and concluded that individuals falter when their personality traits are not congruent with work requirements.
Career satisfaction is dependent upon a cohesive alignment between personality type and work environment (cf. Holland, 1962; Holland, 1985, Holland, Johnston, and Asama, 1994) and personality plays an important role in vocational interests, such as entrepreneurial tendencies (cf. Almeida, Ahmetoglu, and Chamorro-Premuzic, 2014). Almeida et al., (2014) believe the relationship between personality and career choice is particularly important, and they have highlighted the need for more integrative predictive models of this association.

However, developing models related to personality can be challenging since human beings tend to exhibit thousands of different patterns or behavior choices associated with personality (John et al., 2008). Fortunately, a consensus among social scientists was reached on a method of categorizing personality traits. These were clustered into five different phenotypic characteristics that include: (1) conscientiousness; (2) emotional stability; (3) extraversion; (3) openness to experience; (4) neuroticism; and (5) agreeableness (Soto and John, 2009). Referred to as the Big Five personality traits, they have been shown to be helpful in predicting likely future reactions and behaviors and may be significant predictors of entrepreneur-leaning individuals (Adenuga and Ayodele, 2013). The taxonomy of traits can also be a tool for assessing differences between entrepreneurs and business managers (cf. Ciavarella et al., 2004).

The literature suggests two of the five personality characteristics may be the most potent predictors of entrepreneurial behavior: high levels of conscientiousness (Adenuga and Ayodele, 2013) and emotional stability (Zhao et al., 2010). Conscientiousness is associated with proficiency (Barrick and Mount, 1991) and emotional stability is associated with self-confidence (Ciavarella et al., 2004). These characteristics may be important precursors to recognizing and acting upon new opportunities, which entrepreneurs appear to do more quickly than their average counterparts (Busenitz et al., 2003). Further, emotionally stable individuals tend to be calm, even tempered, and comfortable (Ciavarella et al., 2004). They are also likely to form stronger social networks which have been shown to be important to entrepreneurial behaviors (cf. Leyden et al., 2014).

Work ethic

Work ethic, based on Max Weber’s theory (Weber, 1958) is the degree of value one places on such things as work diligence and efficiency. Work ethic is commitment to the value and importance of hard work and is an assemblage of attitudes and beliefs about work behavior (Miller et al., 2002). It is a multifaceted set of work-oriented values and is a construct with multiple components. Miller et al. (2002) created a model of work ethic consisting of seven distinct dimensions: (1) work centrality (intensity of focus); (2) self-reliance (autonomy); (3) hard work (intensity of effort); (4) leisure (versus leisure-disinclination); (5) morality/ethics (honesty); (6) delay of gratification (rewards can wait); and (7) wasted time (versus optimize productive time). Since Miller et al.’s (2002) leisure and wasted time components are at the opposite ends of his work ethic scale from the other five factors, these are frequently reversed. Leisure orientation is reversed to leisure disinclination and wasted time is reversed to optimize productive time. The literature
suggests that three of the seven dimensions of work ethic identified by Miller et al. (2002) may be most strongly associated with entrepreneurs. They are work centrality, self-reliance, and delay of gratification.

Work centrality may be important to Type One entrepreneurs since they generally demonstrate the willingness to invest significant personal capital, personal time, and personal reputation in their business ventures. It is postulated that their perceptions of their personal identity will be entwined with their business entity and they will, therefore, demonstrate intense commitment to the enterprise (cf. Hirschfeld and Field, 2000; Mohrman and Cohen, 1995). The desire to be self-reliant and able to act autonomously may be a primary motivator for entrepreneurs (Kolvereid, 1996). Entrepreneurs routinely demonstrate this self-reliance aspiration or the desire to be free from authority (Rindova, Barry, and Ketchen, 2009). Accompanying self-reliance is the probability of considerable risks. However, this does not appear to dissuade entrepreneurs since they demonstrate a significantly higher risk proclivity compared to non-entrepreneurial business professionals (Stewart and Roth, 2004). Reinforcement for the theory that entrepreneurs have a higher risk tolerance was found in a meta-analysis by Zhao et al. (2010) that determined risk propensity to be positively associated with entrepreneurial intentions. The ability and willingness to delay gratification is demonstrated by the capacity to relinquish short-term rewards in order to secure some advantage in the future (Joy and Witt, 1992). Since entrepreneurs may need to work long hours, sometimes for weeks or even years before realizing the benefits of their efforts, it is proposed they have a distinctively strong willingness and ability to delay gratification.

THEORETICAL MODEL

The literature has attempted to identify unique characteristics of entrepreneurs, but prior studies have managed to capture only fragmented data about the personal characteristics of entrepreneurs. The new multidimensional model proposed in this work is designed to capture a more complete picture of the personal characteristics of entrepreneurs by combining the three individual dimensions of personal characteristics and highlighting the most potent predictors of entrepreneurship. Assessing personal characteristics from each of the three dimensions simultaneously enhances the probability of a more complete understanding of an individual's characteristics than using a single dimension approach (as previously done). Examining characteristics from multiple perspectives offers the opportunity to develop a more precise and consistent picture of the internal factors motivating entrepreneurial propensity.

Examining and coalescing evidence from previous studies in each of the three different dimensions of personal characteristics has led to the conclusion that individuals who demonstrate strongly positive affect and possess the traits of conscientiousness, emotional stability, work centrality, self-reliance, and ability to delay gratification will be positively associated with Type One entrepreneurial propensity. We believe that individuals with ALL of these characteristics will consistently show a strong interest in personally developing business enterprises.
**Figure 3. Multidimensional model of type one entrepreneurial propensity characteristics**

**SUMMARY**
Multidimensional personal characteristics models that include affect, personality, and work ethic may serve to answer many unanswered questions about entrepreneurs. The previous lack of multidimensional models might explain why the literature, beginning in the late 1980s, frequently concluded that there is no consistently predictable relationship between personal characteristics and entrepreneurial propensity (cf. Brockhaus and Horwitz, 1986; Gartner, 1988).

Attempts to find a single definition to describe entrepreneurs have continuously failed, as evidenced by the rich array of diverse definitions found in the literature (Gartner, 2001; Solomon and Winslow, 1988). This may, in part, account for entrepreneurship being viewed as a fragmented domain lacking in unifying theories (cf. Christensen, 2004).

We believe it is important to interpret the concept of entrepreneurs as more than a single category of individuals. For example, categories might include business enterprise creating entrepreneurs, social entrepreneurs, student entrepreneurs, academic entrepreneurs, corporate entrepreneurs or intrapreneurs, and perhaps others. Broadening the conceptualization of entrepreneur to view the term as representing multiple distinctive groups, each with diverse motives and objectives, will enhance the understanding of data related to the personal characteristics of individuals within these groups.

From this group of entrepreneurs, the theory proposed in this article relates to business enterprise creating individuals. These *Type One entrepreneurs* willingly risk personal capital, time, and reputation in the pursuit of new business ventures. Type One entrepreneurs frequently face considerable risks and stresses, which they appear to readily accept. We believe that Type One entrepreneurs possess a strongly positive affect as well as the personality traits of conscientiousness and emotional stability. Additionally, they possess the work ethic traits of work centrality, self-reliance, and ability to delay
It is proposed that individuals who possess all of these characteristics will consistently demonstrate Type One entrepreneurial propensity (see Figure 3).

The proposed multidimensional characteristics model is designed to strengthen the ability to predict and explain the phenomenon of Type One entrepreneurs. This model offers a more precise picture of an individual's entrepreneur-relevant characteristics and may be beneficial to a wide range of stakeholders, including individuals who wonder how their personal characteristics align with archetypal Type One entrepreneurs.

Our work was designed as a platform for extending the understanding of the personal characteristics of individuals who risk their personal capital, time, and reputation in pursuit of business opportunities. We encourage the empirical testing of the proposition outlined in the article. Validated questionnaires are available for data collection in each of the three dimensions of personal characteristics. For a validated questionnaire relating to affect, Big Five personality traits, or work ethic, please contact the authors of this article. Alternatively, reference Watson, Clark, and Tellegen (1988) for affect and John, Donahue, and Kentle (1991) for a complete 44-item inventory of the Big Five personality traits. A 10-item abbreviated version with slightly diminished psychometric properties also exists (cf. Gosling, Rentfrow, and Swann, 2003). A validated, albeit extensive, questionnaire for measuring work ethic (the Multidimensional Work Ethic Profile or MPWE) is also available (see Miller (2002)). Other excellent instruments for testing are also available.

There are multiple benefits to solidifying the knowledge of distinctive characteristics associated with Type One entrepreneurs. It provides a more complete picture of the internal traits stimulating enterprise creating activities. This new knowledge may assist educators in designing more effective entrepreneurial curricula. Governmental agencies may increase their ability to effectively target their limited resources to reinforcing and supporting entrepreneurial processes. Lending institutions may be empowered to extend credit based on entrepreneurial characteristics rather than solely on an individual's collateral. Entrepreneurs and their employees may benefit from additional support and encouragement, and communities may experience increased vibrancy from economic activity.

Given the growing interest in entrepreneurship as an economic engine and as a field of scholarly research, the development of stronger theories to predict and explain the phenomena of entrepreneurs is essential to scholars, policy makers, and others (Audretsch, Grilo, and Thurik, 2007). Clearly, it is important to have more definitive information about these unique individuals who make such major contributions to communities and economies (Busenitz et al., 2003). Better techniques for isolating the characteristics associated with Type One entrepreneurial propensity may assist scholars in unifying the fields of research and may assist other organizations as they develop more effective support systems geared toward enhancing opportunities for entrepreneurial success.
REFERENCES


