

TYOLOGIES AND THE ENTREPRENEURIAL PERSONALITY

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ABSTRACT

Is there an 'entrepreneurial personality'? How useful are typologies for understanding the dynamics of the entrepreneurial personality? This paper examines the entrepreneurial personality. Using data from 60 Victorian entrepreneurs, a three-way classification of entrepreneur types was identified: the high achievers, the managerialists and the pragmatists. The pragmatists displayed a fusion of need for achievement, self attributed need for power and influence, and was the psychological profile found to be most financially successful in business. The usefulness of the 'type' approach is discussed. Looking to the future, the paper identifies some promising research directions.

The entrepreneurial personality

Many people believe that entrepreneurs have a personality that is different than those of "normal" people. Entrepreneurs are visionary, goal-driven, innovative individuals or teams, that are oriented to developing a new business and making it a profitable going concern (Hisrich, Langan-Fox & Grant, 2007). Entrepreneurs are seen as having "the right stuff." (Langan-Fox, 2005) Not surprisingly, the personality of entrepreneurs has been the subject of researchers' attention, with one aspect of the entrepreneur found to be important - the need to achieve. Extensive research over four decades into the characteristics of entrepreneurs (McClelland 1961;1965; 1987a) established that the innate early-learned need for achievement, or *nAch*, is essential. Those high in need for achievement have a general orientation towards certain types of goals, entrepreneurship being one of these goals. Compared to entrepreneurs, managers seem to have different motive dispositions. For instance successful entrepreneurs are thought to be higher in the need for achievement and lower in need for power (or the need to have impact control or influence over another person or the world at large). Conversely successful managers should be higher in the need for power and lower in the need for achievement (Langan-Fox, 2005). Our research (Langan-Fox & Roth, 1995) hypothesized that entrepreneurs need to be both achievement and power motivated in order to be successful. We tested our idea with a group of Victorian women entrepreneurs and used the advantage of the 'typology' in analyzing the data.

The usefulness of typologies

A number of researchers have constructed typologies of entrepreneurs (e.g., Lafuente & Salas, 1989; Miner, 2000; Muller & Gappisch 2005). Typologies refer to the systematic classification of types that have characteristics or traits in common. For instance, the Greek doctor Hippocrates (460-370 BC) believed that human behaviours could be grouped or classified according to bodily fluids called humors: blood, yellow bile, black bile and phlegm. Later, Hans Eysenck (1916-1997) in

analysing personality differences such as Extroversion and Neuroticism noted how results of his factor analyses were similar to the four ancient temperaments.

To many laypeople, formal introduction to the nature of their own personality 'type' comes with completing the Myers-Briggs Type Indicator (MBTI; Myers & McCaulley, 1985). Two and half million Americans a year complete the MBTI and 89 companies out of the *Fortune 100* make use of it with their employees. Another classification or typology can be found in Sheldon's body types which included not only typing in regard to personality, but physical characteristics as well: endomorphic, mesomorphic and ectomorphic (Sheldon, 1940).

In the 19th and early 20th centuries typologies were usually constructed using a combination of observation and intuition (Hodgkinson, Langan-Fox & Sadler-Smith, in press), but with the development of statistical techniques in the 1960s, mathematical methods including cluster analysis, principal components analysis, correspondence analysis and factor analysis have been used to build typologies. The advantage of typologies is that they reduce complexity so that the underlying simplicity or meaning of the data can be more easily observed.

Typologies of entrepreneurs

It could be claimed that it is inappropriate, if not impossible, to 'group' entrepreneurs by virtue of their characteristics. However there are benefits to creating a typology of entrepreneurs. They are useful for theory development, replication of research, parsimony, and can be effective in identifying successful entrepreneurs (for details, see Hisrich, Langan-Fox & Grant, 2007).

There are three typologies for female entrepreneurs. These have been formulated as conceptual frameworks and have not been constructed on the basis of statistical analyses (Cromie & Hayes 1988; Goffee & Scase 1985; Hertz 1986). Thus the aims of our study were to (a) investigate the psychological attributes and motivations of women entrepreneurs particularly the relevance of the achievement and power motives, and (b) to establish the existence of female entrepreneurial types; and (c) to identify types in relation to entrepreneurial success.

The research with women entrepreneurs

Sample and methodology

We recruited women from several sources: women's network groups; well known businesswomen in the community; and formal listings of businesswomen (Langan-Fox & Roth, 1995). Participants had to meet certain criteria in order to be selected: they had to have a minimum of 50% share of the business; their business had to be founded by themselves or with a partner; or they could have bought an already established business which they were operating (for more details see Langan-Fox & Roth, 1995). All participants had been in business in excess of five years and worked in a variety of industries such as communications, the management consultancy, wholesale and retail trading, hospitality and tourism, finance and manufacturing. The sample completed a survey questionnaire and an individual interview. The survey questionnaire asked for biographical information and measures of motives, values, job satisfaction, and locus of control. The individual interview asked questions about risk taking, business goals and required the completion of McClelland's need achievement Thematic Apperception Test which is a projective test. Sentence cues, not pictures, were used in eliciting need achievement. The interview was conducted at the entrepreneur's place of business during normal business hours. Various experimental conditions were imposed on the 'field' administration of the McClelland TAT and were adapted from Veroff, Reuman & Feld (1984).

Analyses and Results

The development of entrepreneurial types: the typology

We used hierarchical agglomerative cluster analysis to group together entrepreneurs with similar psychological types or profiles. From the cluster analysis emerged three groups. To obtain more evidence of the structure of the data and test the robustness of the three cluster solution, multidimensional scaling (MDS) was performed on the data. We conducted three checks on the adequacy of the three dimensional solution which resulted from the MDS: first by plotting Kruskal's stress values; second using Kruskal's rules of thumb for interpreting stress values for each dimension; and third comparing the stress values with Spence & Ogilvie's Monte Carlo studies of random data. From these tests it was concluded that the three dimensional solution was a meaningful representation of the data. Figure 1 in Langan-Fox & Roth (1995) shows the mean scores for the three clusters against each of the variables used to generate the clusters. Cluster 1 or Type 1 had the lowest *nAch* score, and were very high on scales of power. This group had traits similar to those typically associated with management, and were called the "Managerial entrepreneurs". The second cluster was middling on

most psychological variables and were neither very high nor very low on *nAch*, power and value variables. Scores derived from other measures administered to the group but not included in the cluster and MDS analyses showed that this group seemed to be motivated by family concerns, opportunity to pass the business on to children, and had practical pragmatic and economic reasons for entrepreneurship. They were called the Pragmatist entrepreneurs. Finally, cluster 3, showed the pure need for achievement commonly associated with entrepreneurs, and were lowest scoring in power and influence variables. They were called the Need Achiever entrepreneurs. The need achievement type constituted 25% of the sample and the Pragmatists constituted 56% of the sample, so around 81% had moderate to high *nAch*. Thus McClelland's research on the importance of *nAch* to entrepreneurial individuals was given firm support in our study. High *nAch* individuals though, had low job satisfaction. Since by definition, high *nAch* individuals are constantly competing with standards of excellence, it is not surprising that their levels of satisfaction are low. McClelland and Burnham (1976) described the entrepreneur as higher in *nAch* and lower in *nPower* with good managers having higher *nPower* and lower *nAch*.

The entrepreneurial types and 'success'

Six objective criteria of financial success were entered into a discriminant function analysis to determine which type was the most successful. Two of the predictor variables did not meet the minimum criteria of significance for entering into the discriminant model hence the three entrepreneurial types are similar on these variables. Four variables discriminated between the types: years in business, income, owning more than one business and size of budget. By having the highest income and the most number of employees it seemed that the Pragmatists were the most successful, the Managerial type the least successful and the High Achievers were middling. Log linear modelling was used to assess the individual effects of personal income and number of employees in differentiating the types. There was no significant difference between the types and number of employees, but the Pragmatists earned significantly more money than the Managerial and High Achiever types.

SUMMARY AND CONCLUSION

Running a business demands a wide variety of skills including the ability to have influence over people, especially as the business grows and there is a need to delegate and manage staff:-

“The skills necessary ensure the growth and development of an enterprise may well be different from those required to conceive and launch a business...the longer an entrepreneur remains in business the greater is the tendency for him/her to resemble an administrative entrepreneur” (Cromie & Johns, 1983, p.322).

Hence, managerial skills are a necessary component of entrepreneurialism. However, perhaps it is not that entrepreneurs have to develop these tendencies, rather, they probably need to have them in the first place. Of the three types, the Pragmatists most closely resembled Cromie and Hayes (1988) 'Dualists', and Goffee and Scase's (1985) 'Conventionals', in that they had a strong attachment to both career and family roles. This type were the most likely to be married, the least likely to be divorced, most likely to have three or more children, more likely to say they were motivated by a desire to make more money in self employment, significantly more likely to earn a high income, and to endorse the motive for founding as the opportunity to pass the business on to children.

Future research needs to develop scales for measuring a wide variety of motives for founding a business, in measuring the 'enterprising' tendency' in individuals, and to measure both achieving and managerial type variables in predicting successful entrepreneurship. The influence of family values on the decision to become an entrepreneur and to be achieve success should also be evaluated. Models which integrate contextual, personal and business attributes need to be tested with longitudinal data (Langan-Fox, 2005).

Gibb and Ritchie's (1982) advice that searching for unitary characteristics of the entrepreneur only serves to blur the distinctiveness between different types is confirmed in our study. Not only do the types of entrepreneurs differ in their contextual circumstances and demographic characteristics, they also differ greatly in their psychological profiles, thus providing evidence for the utility of the typology approach.

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