



Entrepreneurial personality dispositions and selected indicators of company functioning[☆]



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ABSTRACT

The main objective of this study is to assess the relationships between personality dispositions of entrepreneurs and indicators of economic success in carrying on business in small and medium enterprises in Poland. Two questionnaires collect the data concerning the enterprise's functioning, and serve to measure an entrepreneur's psychological characteristics relevant to entrepreneurship. The sample comprises 294 entrepreneurs who established their companies in Poland between 2008 and 2012. The findings allow for the identification of a profile of personality traits that relate significantly to a more successful company functioning. The results show that a core of personality dispositions may have a relation with most of aspects of a company's functioning, however, other psychological entrepreneurial dispositions may relate more specifically to particular facets of company's functioning. The findings may serve as a "road map" for identifying skills that need improvement, and for developing educational programs and entrepreneurial behaviors as well.

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1. Introduction

New economic entities usually operate in the sector of small and medium enterprises and comprise a significant part of the whole global economy. The generation coming of age in the early 21st century was even named the "E Generation" because this generation displays the most intense entrepreneurial behavior since the Industrial Revolution (Kuratko, 2003). Particularly intense emergence of entrepreneurial awareness and resulting proliferation of newly established businesses have taken place for the past 25 years in the post-communist countries, such as Poland. Poland is the sixth largest economy in the European Union by number of enterprises, whereas in terms of the number of new companies, Poland appears as the second in 2010—right after France (Łapiński, Nieć, Rzeźnik, & Zakrzewski, 2013).

Several international empirical analyses show that the first four years following the start-up of an enterprise are the most challenging period for its survival; some authors refer to this period as the "death valley" (Backes-Gellner & Werner, 2003; Knaup & Piazza, 2007). The one-year survival rate for enterprises starting up in 2011 in European Union is 83%; the five-year survival rate of enterprises born in 2007

and still active in 2012 is 45% (Eurostat, 2014). The Central Statistical Office (GUS, 2014) provides similar data for Poland—only three out of every four businesses in Poland survive their first year of operation (the rate is 76.6% in 2011). The survival rate declines remarkably in subsequent years—to 54% in the second year and 32% in the fifth year of operation (Tarnawa & Zadura-Lichota, 2013). These data clearly demonstrate that only a minority of new entrepreneurs achieve actual success, understood at least as survival of their company in the critical period of the first four years following its establishment.

2. Theoretical framework

In the context of new companies' failures, an important question arises as to which factors determine whether a start-up will survive and achieve success on the market. Many authors emphasize that the individual psychological dispositions of the entrepreneur are an essential factor in determining whether a commercial start-up achieves success (Espiritu-Olmos & Sastre-Castillo, 2015; Obschonka, Schmitt-Rodermund, Silbereisen, Gosling, & Potter, 2013; Rauch & Frese, 2007). Therefore, this study focuses on the psychological personality dispositions of an entrepreneur as predictors of success for new companies in Poland. This study is relevant because large-scale entrepreneurship in Poland has a relatively short history starting only after 1989 and the studies on this topic in Poland are still missing.

The hypothesis is the existence of significant relationships between particular personality traits of entrepreneurs and indicators of a company's success. Several studies (Obschonka et al., 2013; Zhao, Seibert, & Lumpkin, 2010) reveal an array of attributes of

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entrepreneurs that can contribute to the outcomes of entrepreneurial activities. The literature provides support for the relationships between the entrepreneurial success, defined as the company's survival, and such personality traits as: need for achievement, innovativeness, readiness to take risks, self-efficacy, sense of independence, and autonomy (Stewart & Roth, 2001; Zhang & Arvey, 2009). Some studies even postulate the existence of the entrepreneurial personality profile, based on the specific configuration of the main personality factors: high extraversion, conscientiousness and openness, and low agreeableness and neuroticism (Furnham & Fudge, 2008; Schmitt-Rodermund, 2004, 2007).

However, other indicators can measure a company's success, such as company's survival (profitability, Value Creation Index, Value Added Intellectual Coefficient) (Marti & Cabrita, 2012). Research showing relationships between particular personality traits of entrepreneurs and specific measures of success, other than company's survival, is missing. Based on previous research into personality correlates of entrepreneurship, the main objective of this study is assessing the relationships between personality dispositions of entrepreneurs who established their business within the last four years and the indicators of success in business, defined as specific aspects of their companies' functioning. In particular, this study aims to verify whether entrepreneurial personality dispositions relate to the following indicators of the company functioning: (1) maintenance of liquidity, (2) level of competitiveness, (3) evaluation of chances for future business development, and (4) evaluation of the company's innovativeness.

3. Method

3.1. Study procedure

The study comprises entrepreneurs who established their companies between 2008 and 2012. This time framework ensured that the companies under study had a comparable period of functioning, and were still recent start-ups. The entrepreneurs came from all over Poland. Various regional and nationwide databases of registered companies established between 2008 and 2012 provided data for the recruiting of entrepreneurs for the study. These databases provided contact information. Selected entrepreneurs received invitations to participate in the study by telephone, e-mail, or in a letter. The inclusion criteria for the contact were the location of the company (approximately 100 entrepreneurs per each region of Poland) and the presence of data in the screened registries that enabled contact. This process involved no other sampling methods; therefore, the resulting sample is a convenient sample. 1262 entrepreneurs from 13 different regions of Poland were successfully contacted and invited to participate in the study. Of this number, 345 entrepreneurs agreed to participate and returned completed questionnaires. The study includes the responses of 294 respondents. The remaining 51 responses had incomplete data.

The study took place between January and June 2014. Professionals with previous training conducted the survey. Their tasks comprised contacting entrepreneurs who agreed to participate, giving them instructions about filling in the questionnaires, and collecting the completed sheets of questionnaires.

3.2. Sample characteristics: entrepreneurs

The sample comprised 108 women (37%) and 186 men (63%) between the ages of 21 and 71 ($M = 34.48$, $SD = 9.19$). A majority of the entrepreneurs (51%) had received higher education. The respondents who completed secondary education also constituted a large group (37%), and 9% of the entrepreneurs had received vocational education (data on education was missing in 3% of respondents). Of the surveyed entrepreneurs, 15% established their businesses before the age of 23, 38% when they were 24–29 years old, 32% when they were 30–39 years old, and 15% when they were 40 or older. The

employment status of the entrepreneurs varied before the establishment of a company. The overwhelming majority of respondents were the sole owners of the business activity that they conducted (87%) and had no experience running a business at the moment of establishing their own company (78%) or managing a company (66%).

Of the respondents in this sample, 82% were actively running their businesses at the time of the survey, 9% had suspended business activities, and 9% had closed their businesses.

3.3. Sample characteristics: companies

More than half (53%) of the surveyed enterprises were companies operating locally (mainly with services provided for inhabitants of the local town or district). The remaining companies conducted Poland-wide activity (21%), or operated regionally (18%) or on an international scale (8%). The amount of registered capital required to start a business was usually low. A total of 60% of the enterprises had to provide no more than 20,000 PLN (1USD = 3.73PLN – the average exchange rate, table of 2015-01-21, Narodowy Bank Polski (National Bank of Poland)). The remaining companies needed more financial outlays (PLN 20,001–50,000–22%; PLN 50,001–100,000–11%; PLN 100,001–500,000–5%; and over PLN 100,000–2%). Annual turnover increased in comparison to the turnover recorded in the previous year in 41% of the companies (7–10% increase–24%; 0–3% increase–17%). 38% of the enterprises under analysis suffered a loss in annual turnover (7–10% loss–20%; 0–6% loss–11%; over 10% loss–7%). Approximately 21% of the entrepreneurs did not have information regarding the annual turnover of their companies. The sales performance in the previous year usually ranged between 0 and 10% (45%; 11–20%–15%; over 20%–9%). Of the analyzed businesses, 11% were loss-making, and 20% of the entrepreneurs did not have information regarding this matter.

3.4. Methods

This study uses a specifically designed questionnaire—the company-functioning questionnaire. This questionnaire assessed the organizational and economic aspects of an enterprise, especially its economic situation. The questionnaire included 38 questions regarding the crucial organizational and economic aspects of an enterprise, such as range of business activity, a company's annual turnover, sales performance, financial liquidity, a level of competitiveness, self-reported chances for development, and the level of innovation. The target of the questionnaire was a business owner who possessed knowledge of all the indicators of a company's condition. Financial data obtained from the questionnaire were factographic (referring to objective facts), whereas the other questions (for example, the level of innovation and competitiveness, or chances for development) were subjective (i.e., they reflected the subjective opinion of the entrepreneur completing the questionnaire). For the purpose of this study, the data pertaining to the abilities for maintenance of liquidity, level of competitiveness, perceived chances for future development, and level of innovativeness were taken as the indicators of the company functioning. The assessment of maintenance of liquidity used a binary scale (0 failing to maintain liquidity, 1 maintaining liquidity), whereas the measurement of levels of competitiveness, perceived chances for future development, and innovativeness used a three-degree ordinal scale (1—low, 2—average, 3—high). The surveyed entrepreneurs self-reported all the data this instrument assessed, and no other external sources provided information on the company.

Entrepreneurial Dispositions Personality Inventory (EDPI) is a multidimensional questionnaire designed and developed to measure the personality dispositions which may have an association with entrepreneurship and entrepreneurial behavior. Developing the EDPI was an essential part of the current research project, motivated by the apparent absence of the appropriate instruments measuring psychological

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