



Contents lists available at ScienceDirect

## European Management Journal

journal homepage: [www.elsevier.com/locate/emj](http://www.elsevier.com/locate/emj)

## Entrepreneurial openness: Concept development and measure validation

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### ARTICLE INFO

#### Article history:

Received 30 November 2015

Received in revised form

3 August 2016

Accepted 8 September 2016

Available online xxx

#### Keywords:

Entrepreneurial openness

Personality

Construct development

Cross-cultural research

### ABSTRACT

This study introduces entrepreneurial openness as a construct that helps understanding the impact of entrepreneur's personality on small firm's performance. We draw from the entrepreneurship and positive psychology literature to conceptualize entrepreneurial openness as an individual-level positive personal cognitive strength that has three subdimensions: engaging in learning, searching for novelty, and seeking feedback. We validated the construct's structure in three consecutive studies: Study 1 provided initial empirical evidence in support of the proposed scale with a pilot sample of Slovenian business owners; Study 2 assessed the reliability and validity of the scale with a cross-cultural study in Canada, Slovenia, and USA; and Study 3 tested the scale for its impact on business performance and job satisfaction. Findings from our empirical studies demonstrate the utility of entrepreneurial openness in explaining firm's performance by showing strong reliability, appropriate dimensionality, convergent, discriminant, and nomological validity.

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### 1. Introduction

Throughout the existing entrepreneurship literature (Brandstätter, 1997; Rauch & Frese, 2007b; Zhao & Seibert, 2006), there is a strong view that openness is a good quality for entrepreneurs to have (among other personality determinants important in entrepreneurship), especially during the phase of firm performance, development, and growth. Openness facilitates effective entrepreneurial behavior in the form of (1) adapting to new technologies, competitive environments, and change (Antoncic, 2010; Marcati, Guido, & Peluso, 2008) and (2) bringing innovative solutions (Brockner, Higgins, & Low, 2004; Ciavarella, Buchholtz, Riordan, Gatewood, & Stokes, 2004). Business practitioners, too, agree that entrepreneurs who successfully grow and develop their firms are those who are more open. For example, Tina Seelig (2009) from the Stanford Technology Ventures Program asserted that being a successful entrepreneur requires open-mindedness; Jeff Raikes (2004) from Microsoft Corporation emphasized the need to be open to opportunity; and Naveen Jain from Intelius pointed out that a key attribute of a successful

entrepreneur is openness to change (Baker, 2010). Jonathan Tower (2008), Managing Director at Citron Capital, is convinced that openness, in almost all its forms, has a direct and positive impact on a firm's long-term success. However, several authors have emphasized that to understand the mechanisms through which entrepreneur-related personal strengths such as openness contribute toward the achievement of important firm-related outcomes, we need a robust conceptualization of the construct (Luthans, 2002; McGee, Peterson, Mueller, & Sequeira, 2009). Although openness in entrepreneurship has been recognized as an important strength for entrepreneurs, a sound conceptualization and empirical validation of entrepreneurial openness (ENOP) is lacking.

We have three primary goals in this study. The first goal is to conceptualize ENOP, drawing from entrepreneurship and positive psychology literature. We conceptualize ENOP as a cognitive strength that has three dimensions: engaging in learning, searching for novelty, and seeking feedback. The multidimensionality of ENOP has been suggested in the previous studies (Burmeister & Schade, 2007; Busenitz & Arthurs, 2007; Frese, 2007) and later indicated by qualitative data that we have collected in the field study. These different dimensions motivate entrepreneurs to perform the behaviors necessary to successfully develop their firms. The second goal of this study is to empirically assess the reliability and validity of the proposed measure using samples of

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business owners from different economic and cultural contexts. In doing so, we differentiate ENOP from other psychological constructs in the domain of positive psychology and empirically validate the measure of ENOP on the samples of entrepreneurs from Canada, Slovenia, and the USA. The third goal is to provide initial evidence of ENOP's nomological validity in a theoretical model that links ENOP to business outcomes. The model proposes that ENOP has a positive impact on business performance and job satisfaction.

Conceptualizing ENOP is important because it provides necessary grounds to relate ENOP to other important constructs in the entrepreneurial process on the individual and firm level. In doing so, we can address central questions about entrepreneurship, such as what specific entrepreneur-level strengths are associated with entrepreneurial beliefs and outcomes? In particular, is ENOP somehow related to business performance in terms of sales and in terms of job satisfaction as a primary measure of performance? When the exact role of ENOP in the entrepreneurial process is well understood, future researchers might be able to explore if ENOP, as a positive individual-level strength, can be encouraged and built through targeted interventions.

We ground the conceptualization of ENOP from a positive psychology perspective (Seligman & Csikszentmihaly, 2000), which focuses on the role of people's positive personal strengths and how they affect personal satisfaction. In entrepreneurship research to this point, researchers have examined the positive role of personal strengths such as self-efficacy, optimism, and psychological capital (Chen, Greene, & Crick, 1998; Hmieleski & Baron, 2009; Jensen & Luthans, 2006). Furthermore, positive psychologists have emphasized that "exploration of uncharted territories of untapped human potential is far from having been concluded" (Luthans & Youssef, 2007, p. 326), implying that other personal strengths may share the characteristics of positive personal strengths. We argue that ENOP is a positive personal strength because it guides entrepreneurs toward engaging in learning, searching for novelty, and seeking feedback, all of which have been shown to be important behaviors in growing and developing firms (Burmeister & Schade, 2007; Busenitz & Arthurs, 2007).

The paper is organized as follows. We begin by establishing the theoretical grounds for the concept of openness. We then report the results from three consecutive studies undertaken to develop and validate the ENOP scale. We conclude the paper with a discussion of the implications and the limitations of our research.

## 2. Conceptualization of ENOP

### 2.1. The notion of an entrepreneur's openness in entrepreneurship literature

The notion of ENOP is well grounded in previous literature, with three personality strengths consistently associated with open entrepreneurs: open entrepreneurs are effective learners (Busenitz & Arthurs, 2007), they are in continuous search for novelty and new opportunities (Burmeister & Schade, 2007), and they seek feedback when evaluating the desirability and feasibility of opportunities (Frese, 2007). From the positive psychology perspective (Peterson & Seligman, 2004), the described openness dimensions of an entrepreneur are cognitive strengths because they include (1) mastering new skills, topics, and bodies of knowledge; (2) searching for novel and productive ways to do things; and (3) thinking things through and examining them from all sides. These three positive personality strengths are represented in the three ENOP's dimensions: (1) ENOP to learning, (2) ENOP to novelty, and (3) ENOP to feedback. Such strengths help entrepreneurs to thrive and grow their firms.

The first proposed dimension – openness to learning – avails

entrepreneurs with new levels of understanding, interpretation, insights, and cognition (Busenitz & Arthurs, 2007) because open entrepreneurs tend to add systematically to what they already know (Peterson & Seligman, 2004). Learning is important for decision-making in the face of uncertainty and for divergent thinking about entrepreneurial roles, tasks, and challenges (Busenitz & Arthurs, 2007; Minniti & Bygrave, 2001). ENOP to learning directs entrepreneurs to engage in behaviors such as learning new marketing and business management approaches. Moreover, the tendency of being open to learning guides entrepreneurs to learn from the experiences of successful peers and firms (Luthans & Youssef, 2007) and develop an entrepreneurial habitus as they go through the entrepreneurial process (Karataş-Özkan, 2011). Entrepreneurship research and practice acknowledge that openness is particularly important during the process of entrepreneurial learning because entrepreneurs who are open-minded (Bird, 1988; Harper, 2006) receive ideas from different sources (Sharma & Parashar, 2009) and learn by doing, imitating, copying, observing, and experimenting (Aldrich & Yang, 2014; Levinthal, 1996; Luthans & Youssef, 2007). Open entrepreneurs learn by talking to others (Onyemah, Rivera Pesquera, & Ali, 2013) about novel marketing approaches, strategies, and business models. Entrepreneurs who are open to learn new approaches are more likely to innovate and to grow their firms (Honig, 2001). The abilities to learn and master new skills enable entrepreneurs to spot opportunities ahead of others (Harper, 2006). In summary, openness to learning is a positive personal strength that puts entrepreneurs above average because it encourages them to improve their knowledge, skills, and abilities (Peterson & Seligman, 2004). Furthermore, openness can be seen as a competitive advantage because open entrepreneurs are up-to-date with market trends and have a broad overview of best practices and business models.

Second, the inclination of entrepreneurs to search for novelty is seen as an important dimension of openness because entrepreneurs benefit from recognizing opportunities, undertaking new courses of action, creating new firms, entering into new markets, and launching novel products or services (Bygrave & Hofer, 1991; Nicholson, 1998; Shane & Venkataraman, 2000). This openness to novelty manifests itself in behaviors such as looking for new product/service ideas, gathering information about new markets, and seeking out new business partners (Burmeister & Schade, 2007). Indeed, practitioners suggest that entrepreneurs who are open to novelty more actively search for new ideas in everything they do (Burmeister & Schade, 2007; Harper, 2006; Klapper, 2004; Raikes, 2004). Open entrepreneurs also have a greater tendency to search for new business partners because they see business partners as instrumental in generating new ideas, solving problems, and acquiring projects (Lechner & Dowling, 2003; Lee & Tsang, 2001). Entrepreneurship research indicates that ENOP to novelty is also critical during the innovation adoption process (Marcati et al., 2008) because of the need to be open to change (Brandstätter, 1997; Brockner et al., 2004) and to use new technology (Klapper, 2004). From a positive psychology perspective, having such strengths facilitate entrepreneurial endeavors because open entrepreneurs are more likely to quickly spot the opportunities and changes needed to nurture their firms. Positive psychologists view openness to change and new experiences as positive human strengths (Mruk, 2006) that encourage the exploration of novel territories and thinking of novel and productive ways to do things (Peterson & Seligman, 2004).

Third, seeking feedback has been recognized as an important dimension of ENOP, because open entrepreneurs actively seek feedback to gain competitive advantage, creatively solve problems, and reshape ideas so that they are better suited to the markets' needs (Busenitz & Arthurs, 2007; Frese, 2007; Onyemah et al.,

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