

Which Entrepreneurial Traits are the Most Critical in Determining Success?

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Introduction

With the increasing social value of entrepreneurship and the number of entrepreneurial ventures on the rise it seems prudent to ask, what characteristics separate successful entrepreneurs from the others? Entrepreneurial success has been conceptualised as a multidimensional construct made up of micro and macro level factors (Fisher, Maritz, & Lobo, 2014). For the purposes of this essay entrepreneurial success will be measured at the macro-level using venture innovation (Maes, Sels, & De Winne, 2006), venture growth (Basu & Goswami, 1999; Almus & Nerlinger, 1999), and venture profitability (Bosma, Van Praag, Thurik, & De Wit, 2004; Jo, & Lee, 1996) as metrics. The reason for selecting macro-level metrics is that they overcome the subjectivity that micro-level analysis factors thus allowing entrepreneurs across multiple industries and countries to be compared. While it may appear that these metrics focus on the success of the venture as opposed to the entrepreneur, a resource based view notes that the value creation of a firm is dependent on the capabilities of an entrepreneur to perform their role successfully (Grant, 1991). This allows the connection of specific entrepreneurial traits to entrepreneur's ability to achieve these success metrics.

Entrepreneurial competency is defined as components deeply rooted in a person's background and those acquired from experience (Man & Lau, 2005). Due to the infinite diversity of experiences that help shape an entrepreneur's competency this essay will focus on the contribution of the underlying entrepreneurial traits. The antecedent traits identified in this essay are by no means exhaustive but are critical in the realisation of venture innovation, growth and profitability. There is no true holistic recipe of characteristics that will guarantee success in business, what this essay aims to achieve is to isolate key ingredients to better specify the link between entrepreneurial traits and entrepreneurial success.

Entrepreneurial traits rarely affect behaviours in isolation however this essay argues that certain traits are more influential than others in achieving different success metrics. An entrepreneurial orientation (EO) is conceptualised as proactivity, innovativeness and risk taking propensity (Covin, Green & Slevin, 2006), all of which significantly influence both entrepreneurial innovation and business growth. The third metric profitability requires the additional mediation of an entrepreneur's learning orientation (LO). The constituent traits of EO will be further granulated in this essay when linking them to business innovation and growth to add specificity. Furthermore an entrepreneur's need for achievement will be added to the antecedent elements of venture growth.

Venture Innovation

Through acts of innovation companies will achieve competitive advantage (Porter, 1990); a firm's innovation therefore has a causal relationship with growth and profitability. A firm's innovativeness is defined as its capability to harness the creativity of employees towards improving processes and products (Mbizi, Hove, Thondhlana, & Kakava, 2013). Successful entrepreneurs transmit their innovative traits to the organisational DNA to instil a culture of innovation. A study by North and Smallbone (2000) showed that in 85% of the firms the owner was central in the development of innovations. If small and medium enterprises (SME) can adopt their founder's traits they will improve their ability to harness the creative capabilities of its workforce (Wang, Hermens, Huang, & Chelliah, 2015). Innovation stems from an entrepreneur's ability to recognise an opportunity coupled with the self-efficacy to pursue it. Entrepreneurs form ventures to exploit an opportunity through a novel combination of resources to deliver superior value to the status quo or market need (Ardichvili, Cardozo & Ray, 2003). This ability to 'connect the dots' and the conviction to follow through on their ideas is what makes many entrepreneurial firms innovative.

Opportunity Recognition

There is debate in the literature with regard to the nature of entrepreneurial opportunity recognition; the two viewpoints that arise are the discovery and creation of opportunities. The discovery view posits that opportunities lay dormant and independent of the entrepreneur and are discovered through innate skill or a cognitive searching process (Hills, Hansen & Hultman, 2005). The alternative perspective is that entrepreneurial opportunity recognition is a cognitive process where ideas are internally evaluated on the feasibility and potential economic value (Baron, 2006). Research has proposed that discovered and created opportunities link with incremental and discontinuous/radical innovation respectively (Vaghely, & Julien, 2010). Niammuad, Napompech, and Suwanmaneepong (2014) have reinforced the proposed links between both views and their outcomes concluding that entrepreneurial opportunity recognition positively contributes to innovative behaviours at the individual and firm level.

Self-Efficacy

However simply recognising an opportunity does not immediately generate an innovative solution, entrepreneurs must have the self-efficacy to pursue it. Entrepreneurial self-efficacy refers to the extent that individuals believe they have the sufficient capabilities to perform various tasks of entrepreneurship (Boyd & Vozikis, 1994). One of the first academic definitions of an entrepreneur was a person who organises and manages a business undertaking, assuming the risk for the sake of profit (Webster 1972). A key component to this definition is that risk is assumed for profit, the promise of future reward drives entrepreneurial self-efficacy and without it risks would not be undertaken.

Entrepreneurial self-efficacy plays a major role in the development of innovation both at the inception of an SME and during its existence. By moderating the relationship between opportunity recognition and innovation self-efficacy influences the production of both radical and incremental innovations. This makes self-efficacy an entrepreneurial trait that constantly

influences the innovative capability of an organisation regardless of its stage in the life cycle (Ahlin, Drnovšek & Hisrich, 2014).

Venture Growth

In order to compete in the marketplace firms must grow to some extent (Garnsey, 1998); firm growth has become a key metric of success within entrepreneurship research as it shows the extent of reward resulting from the entrepreneurial behaviour (Carton & Hofer, 2006; Venkataraman, 1997). Venture growth validates the identified market opportunity and accompanying innovative solution thus reaffirming the first success metric. However there is also a causal relationship between an entrepreneur's growth motivation and the growth of their firm (Katona, 1975). Entrepreneurs have a wide variety of reasons for starting a venture. The reasons for forming their venture will strongly impact their growth motivation (Stanworth & Curran, 1976). Entrepreneurial growth motivation is heavily influenced by the entrepreneur's need for achievement, risk tolerance, and opportunity recognition (Davidsson, 1991). When analysing critical traits influencing firm growth the assumption will be made that an innovative opportunity has been identified and pursued. The need for achievement and tolerance of risk of an entrepreneur determine the extent of scale an opportunity is taken to, in other words: a venture's growth.

Need for Achievement

Entrepreneurs are characterised by the continuous need for achievement. In his book 'The Achieving Society' McClelland posed that individuals with a high achievement orientation would pursue careers that allowed them control over outcomes, more direct feedback on performance, and offered moderate levels of risk (McClelland, 1961). He then went on to describe entrepreneurial environments as those most likely to fulfil these requirements (McClelland, 1965). Further research has reinforced McClelland's findings and consolidated the need for achievement as a definitive trait that entrepreneurs exhibit, separating them from non-entrepreneurs (Begley & Boyd, 1987). The need for achievement is what drives entrepreneurs to scale their ventures beyond their original markets.

To explore the relationship between need for achievement and growth motivation, I will examine a study on 163 Chinese entrepreneurs in SMEs in Singapore by Lee and Tsang (2001). The reason I chose this study is that Singapore's business environment in 1985 was one of very few push factors spurring entrepreneurial ventures (Report of the Sub-Committee on Entrepreneurship Development, 1985). Furthermore high governmental control over businesses reduced reason for entrepreneurs to strive for better results as business success was perceived as being guaranteed (Tan & Tay, 1995). Singapore's environment controlled influences such as market dynamism which influence entrepreneurial motivation (Dubini, 1989), thus the relationship between the need for success and firm growth becomes more valid. Lee found that an entrepreneur's need for achievement was the trait that had the highest impact on venture growth (Lee & Tsang, 2001). This finding shows the direct influence striving for excellence has on the growth motivation of an entrepreneur and the growth of the business.

Tolerance of Risk

The link between high need for achievement and high tolerance of risk is ubiquitous. An entrepreneur's drive for success will lead them to take on significant risk in order to achieve high growth. Entrepreneurial risk is operationalized as the venturing into unknown markets and investment into ventures with high risk (Baker & Sinkula, 2009). To demonstrate their risk tolerance I will compare entrepreneurs to their closest relatives: managers. Managers also have a high need for achievement, yet what separates the two groups is adversity to risk. While entrepreneurs embrace risk, managers prefer to avoid uncertainty that could result in failure instead opting for contractual employment (Stewart & Roth, 2007). Comfort with risk is a key element of EO that will facilitate firm growth (Wolff, Pett, & Ring, 2015).

Venture Profitability

No matter the growth orientation or level of innovativeness of an entrepreneur their business must eventually be profitable in order for the entrepreneurial behaviour to be deemed successful. That being said there is a causal relationship between previous success metrics identified and firm profitability (Abraham & Knight, 2001). It is therefore difficult to identify entrepreneurial traits that contribute directly to firm profitability without restating those traits that influence its antecedent elements. Currently I have reaffirmed innovativeness (opportunity recognition), proactivity (self-efficacy), and risk taking propensity as the elements of EO that drive entrepreneurial innovation and growth with the addition of need for achievement. While EO has a direct relationship with firm growth and innovation it does not influence firm profitability without the mediation of LO (Hakala, 2013). As such LO will be the entrepreneurial trait used as a critical determinant of the final success metric.

Learning Orientation

An entrepreneur's learning orientation is defined as the development and utilisation of knowledge which supports key entrepreneurial activities (Hakala, 2013). Entrepreneur's predisposition towards a LO is well documented, when examining entrepreneurial narrative attribution of failure Mantere found that entrepreneur's accounts for failure revealed a dynamic learning narrator by focusing on restoration and a balance of internal and external justification strategies (Mantere, Aula, Schildt, & Vaara, 2013). The key to their LO is that entrepreneurs undertake both active and passive information seeking activities, their ability to recognise opportunities ripe for exploitation is mediated by their prior experience in the industry (Baron, 2006). Entrepreneur's LO facilitates their ability to exploit the opportunities that their EO recognised.

Levinthal and March describe LO's role as exploitation of an opportunity and EO's role as exploration for opportunities (Levinthal & March, 1993). They posit that firms must balance the two orientations as too much exploration of new opportunities will lead to minimal returns on investment and too much exploitation of opportunities will lead to suffering from obsolescence (Levinthal & March, 1993). An entrepreneur's learning orientation therefore is what allows them to capitalise on their recognised

opportunity by constantly learning how to create efficiency and maximise profitability.

Conclusion

This essay has set out to determine which of the plethora of entrepreneurial traits contribute the most significantly to entrepreneurial success. Entrepreneurial success is a multidimensional construct combining both intrinsic and extrinsic rewards to entrepreneurial behaviour. In order to create a set of traits that could measure entrepreneurial success across multiple individuals the macro-level metrics of success were selected for examination as they retained objectivity in their measurement. The success metrics chosen were firm innovativeness, growth, and profitability. These metrics are inter-related reflecting the collaboration between their antecedent traits. By taking a resource-based view one can posit that an entrepreneurial firm's ability to achieve these outcomes is a direct result of the entrepreneur themselves. Therefore these success metrics can be directly related back to specific traits of the founding entrepreneur.

After consulting the literature my findings aligned with the current strain of thought that entrepreneurial orientation is a key determinant of venture innovation and growth (Hakala, 2013). However an entrepreneurial orientation is inherent in most entrepreneurs and is a construct whose constituent elements can be further granulated. To identify the traits that separate successful entrepreneurs from others I granulated the innovativeness and proactiveness elements of entrepreneurial orientation into opportunity recognition and self-efficacy respectively. I found the mediating influence self-efficacy has on opportunity recognition in the creation of business innovation (Boyd & Vozikis, 1994). For venture growth I adopted the traditional risk taking propensity trait as a key influencer and also added the need for achievement as a contributing trait. This was justified as I found that in a business environment with high governmental control and low risk entrepreneurial growth was determined by their need for achievement (Tan & Tay, 1995). Profitability is a separate metric from innovation and growth when comparing entrepreneurial success as it is not determined primarily by entrepreneurial orientation (Hakala, 2013). An entrepreneurial orientation facilitates the exploration of novel opportunities but due to its focus on discovery of the new it is not adept at exploiting said opportunities (Levinthal & March, 1993). A learning orientation is necessary to exploit opportunities as it narrows the field of focus and identifies ways to help maximise profits from the identified opportunity. In this way entrepreneur's learning orientation mediates the relationship between their entrepreneurial orientation and venture profitability.

I propose that the traits I have identified are important across the entire entrepreneurial venture process, but certain traits are more important in reaching certain goals (innovative product generation, growth, profitability). To help visualise this concept I have adapted the generic cash curve model to show the importance of different traits during different stages of the venture life cycle and show the success metrics they influence (Figure 1). My list of entrepreneurial traits is by no means exhaustive but aims to identify the core foundation of traits required for entrepreneurial success.

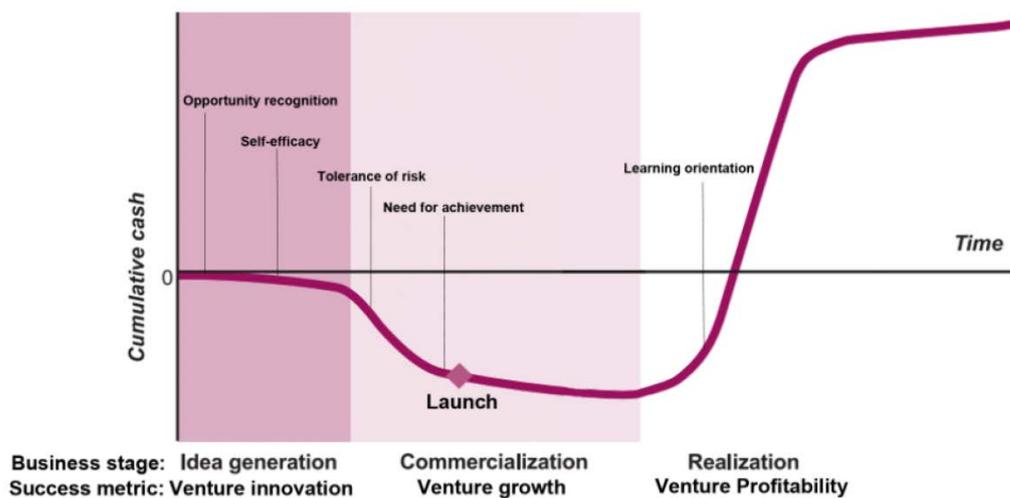


Figure 1: Modified Cash Curve Showing Critical Influence of Entrepreneurial Traits. Original Cash Curve Model (Andrew, Sirkin, & Butman, 2013)

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