

**The person of the entrepreneur in the
entrepreneurial process: State of the art**

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Outline

- Why entrepreneurship research?
- Lessons learnt from editing a book on psychological factors of entrepreneurship research
- The Giessen-Amsterdam Model and the findings on the psychology of entrepreneurship

Why Entrepreneurship Research – Basic Factors

- Why should we restrict I/O Psychology to only employees?
- Modern work – more independent practice and more entrepreneurship
- In some countries, e.g., in Africa: More people have jobs as self-employed or as founders of micro-business than in companies

General Importance of Entrepreneurship Research

- Creative destruction and development of innovation (Schumpeter): entrepreneurs
- Small business leads to more new jobs than large companies today
- On the other hand: Over 50% of small new businesses fail within 5 years
- Large firms also need to become more entrepreneurial to survive

Why I Am Interested in Entrepreneurship Research – 1 –

- Where do organizations come from?
Entrepreneurship
- Impact of founder on the start-up: organizational culture (Schein)
- Performance and well-being are important outcomes

Why I Am Interested in Entrepreneurship Research – 2 –

- The problems of performance measures in employee research (supervisor judgments of performance): Often subjective, political, dependent upon impression management more than on “real” performance, biases
- Better and more meaningful performance measures in entrepreneurship research: start-up, survival, success (growth, size, satisfactory performance)

Why I Am Interested in Entrepreneurship Research – 3 –

- Issue of generalization: Do models developed for employees (e.g., prediction models, motivational models) generalize to founders start-up companies?
- New and interesting questions that are highly relevant for work in future companies, e.g., opportunity perception and exploitation, planning and proactive strategies
- Highly complex work with many facets

Defining Entrepreneurship

- Shane and Venkataraman (2000): Discovery, evaluation, and exploitation of opportunities

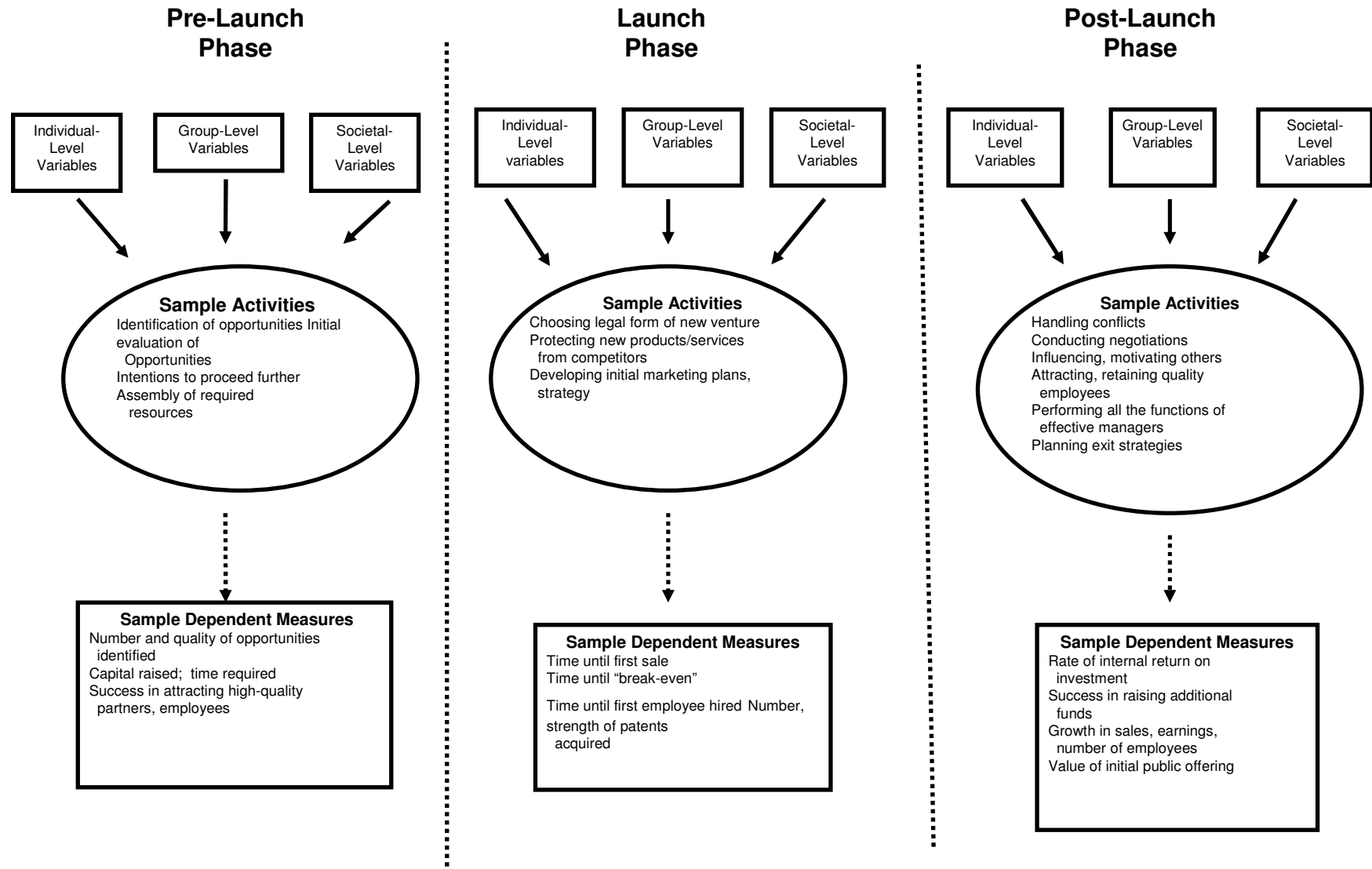
Phases of Entrepreneurship (Baron)

- Pre-launch, launch, post-launch phases
- Different dependent variables relevant
- Different independent variables relevant
- For each hypotheses it must be defined which phase is studied

● Other phase models should also be studied within entrepreneurship, particularly Greiner, L. E. (1972).

Evolution and revolution as organizations grow. *Harvard Business Review* (July-August), 2-10.

Baron: Phases of Entrepreneurship



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Lessons Learnt from Editing This Book

- Entrepreneurship research is still quite weak, theoretically and methodologically
- Entrepreneurship in need of I/O Psychology – content and methodology
- Content: More and more issues of importance for entrepreneurship refer to psychological concepts, e.g., opportunity detection, intuition, etc.
- Methodological issues: Reliability, validity of scales, design and analysis (longitudinal, structural equation analysis, mediators, moderators, cumulative science (meta-analysis))
- Still: Entrepreneurship is a legitimate area of research and inquiry

The Organizational Frontiers Series

The Psychology of Entrepreneurship

Edited by

J. Robert Baum • Michael Frese • Robert Baron

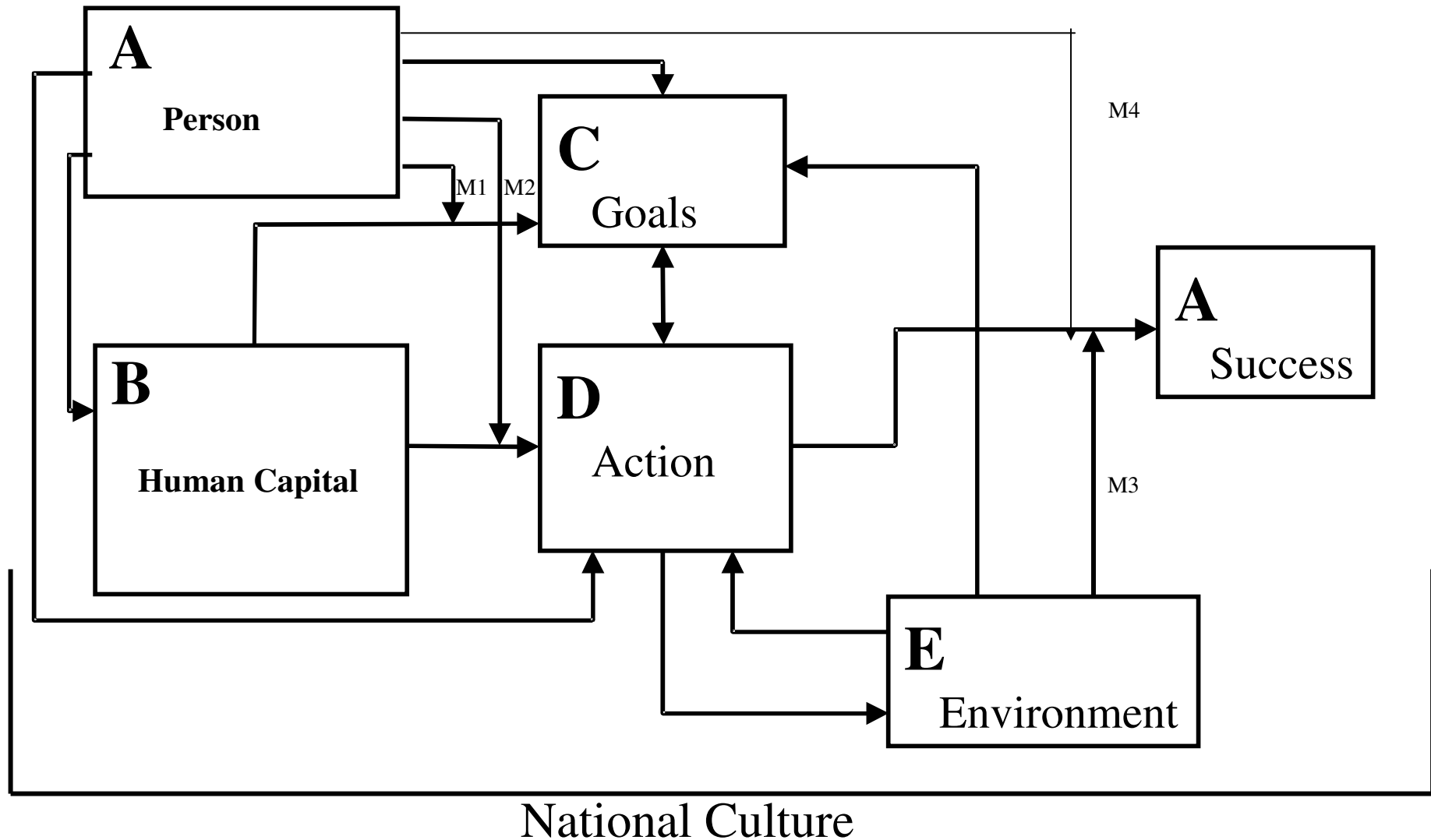
A Publication of the Society for
Industrial and Organizational Psychology

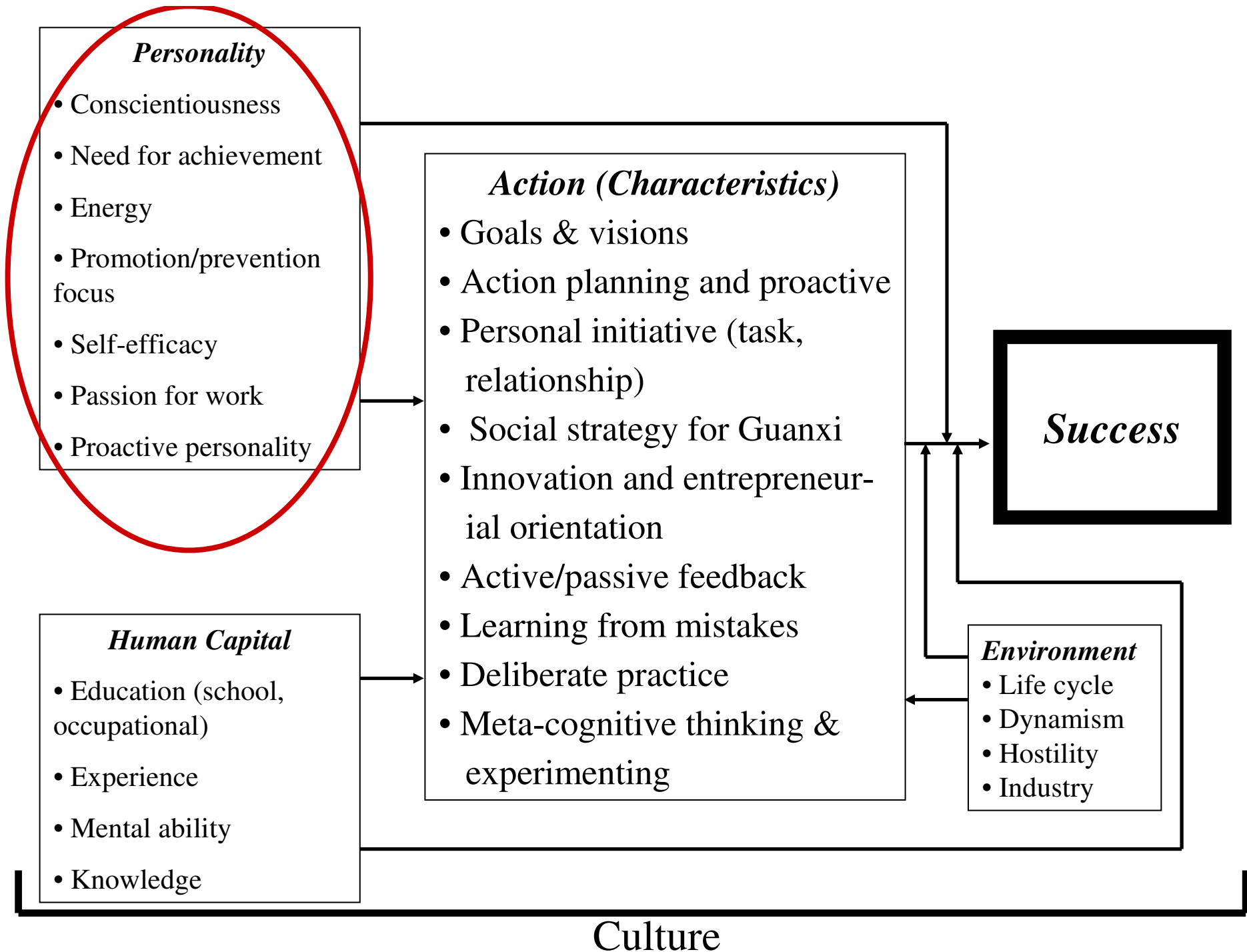


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The Giessen Amsterdam Model of Entrepreneurial Success (Revised, 2005)





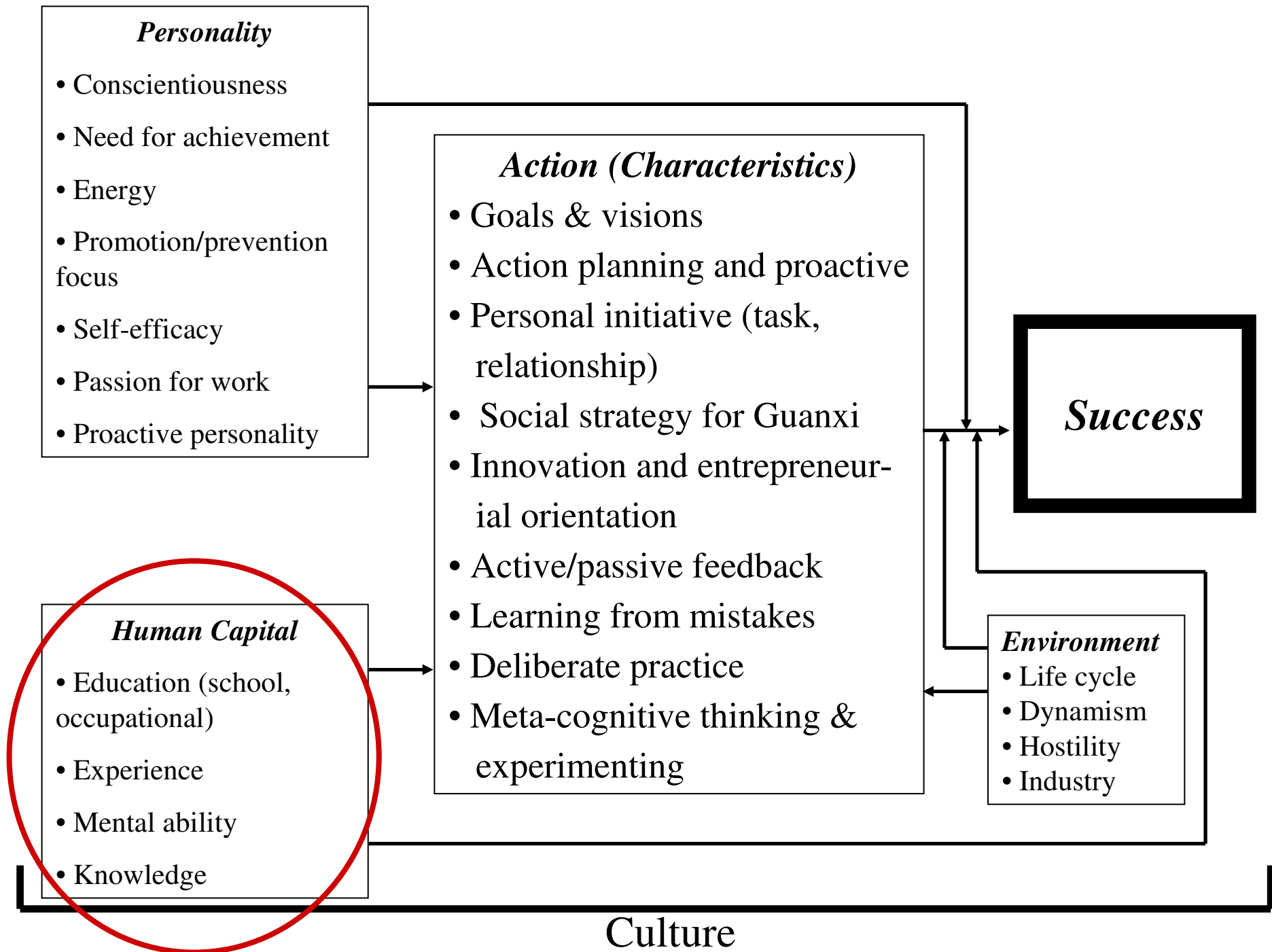
Personality (Rauch & Frese)

- Meta-analyses on personality, clear relationships with starting and success:
 - self-efficacy
 - achievement motive
- Specific – task related personality traits more highly related to entrepreneurship than general ones (such as Big Five) – issue of match to situation and tasks important

Meta-analytic Relationships between Person Characteristics and Entrepreneurial Success (corr r)

	corr.r	N
All person variables & Succ	.206	7551
All person variables & business creation	.193	13278
Task related traits & Succ.	.334	5293
Non-task related traits & Suc	.051	2743
Task related traits & Creat.	.236	10901
Non-task related traits & business creation	.119	3894

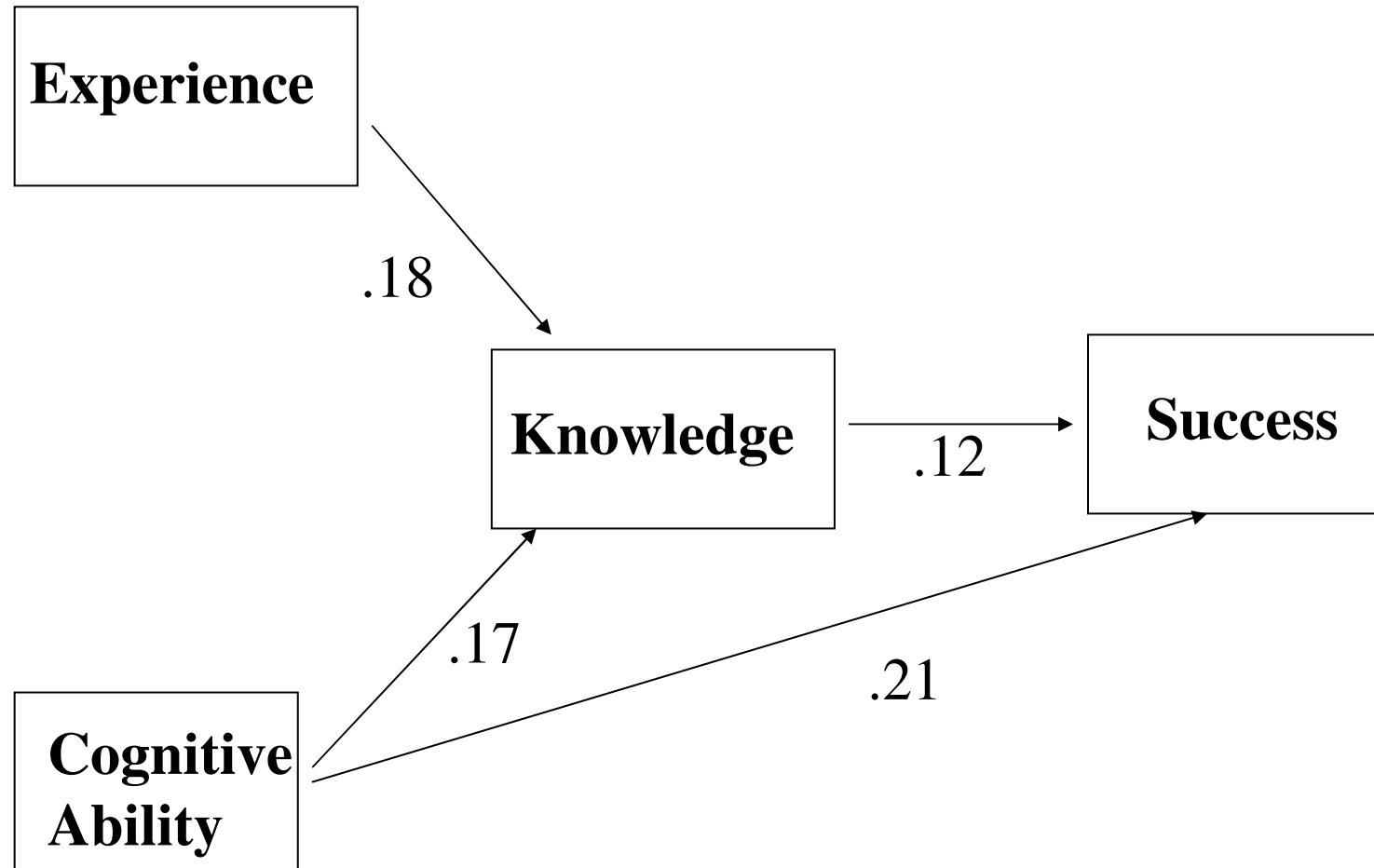
Rauch, A., & Frese, M. (2007). Let's Put the Person Back into Entrepreneurship Research: A Meta-Analysis on the Relationship Between Business Owners' Personality and Business Creation and Success. *Univ. of Giessen: submitted for publication.*



Human Capital (Busenitz & Arthurs, Markman, Katz)

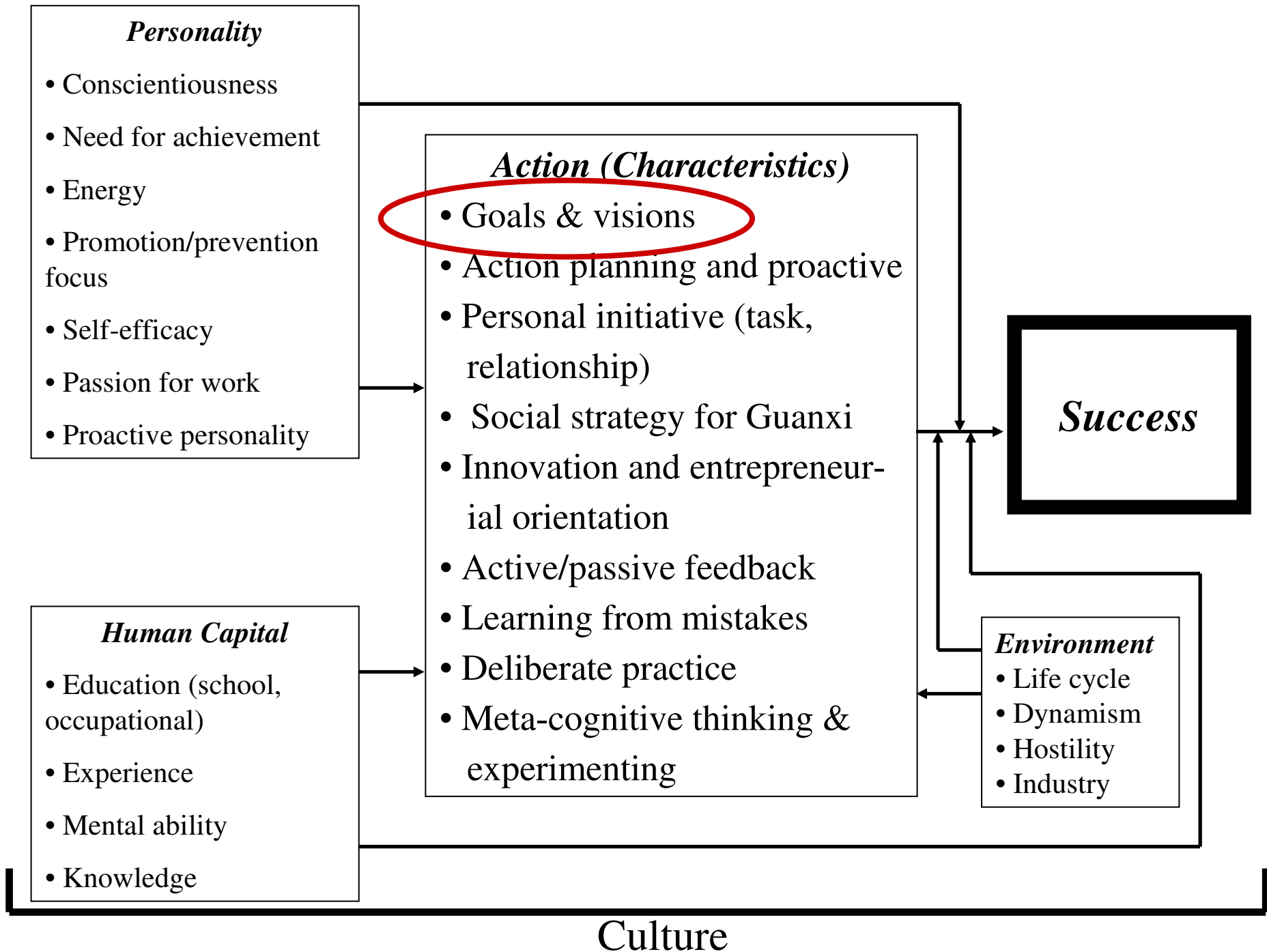
- Renewed emphasis on learning and training
- Importance of social skills/social capital, including network ability (Guanxi)
- Dynamic capability (Busenitz & Arthurs): ability to reconfigure the firm's resource base to meet changing demands
- Business plan as a training device: General question: Should it be done or not, not very useful. Much more useful to ask: for everyone, under which conditions, who learns what from developing a business plan

Meta-Analytic Path Coefficients: From Experience and Cognitive Ability to Knowledge to Success



Fit statistics: $\chi^2 (1, n = 1.529) = 0.36, p = .55$; independence model: $\chi^2 (6, n = 1.529) = 514.86$; comparative fit index = 1.00; goodness-of-fit index = 1.00; root-mean-square error of approximation = .000; * $p < .05$; ** $p < .01$.

Unger, J. M., Rauch, A., Frese, M., & Rosenbusch, N. (2006). Human capital and entrepreneurial success: A meta-analytic review. *Univ. of Giessen: submitted*.



Motivation (Locke & Baum)

- Little outside motivators
- Money is not as important a motivator for entrepreneurship
- Independence
- Passion for work
- Goals and visions
- Specific self-efficacy
- Self-regulation theories

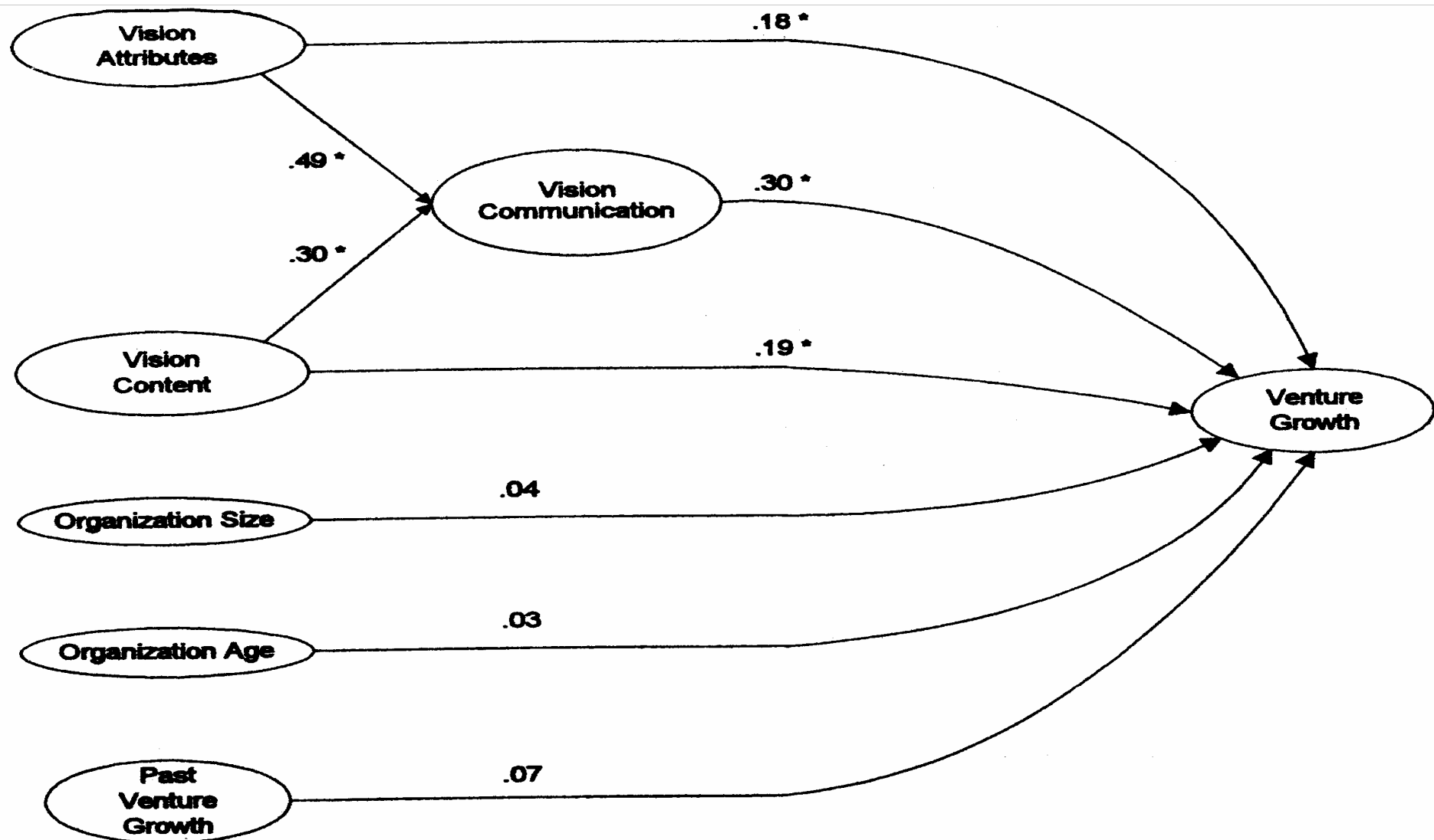
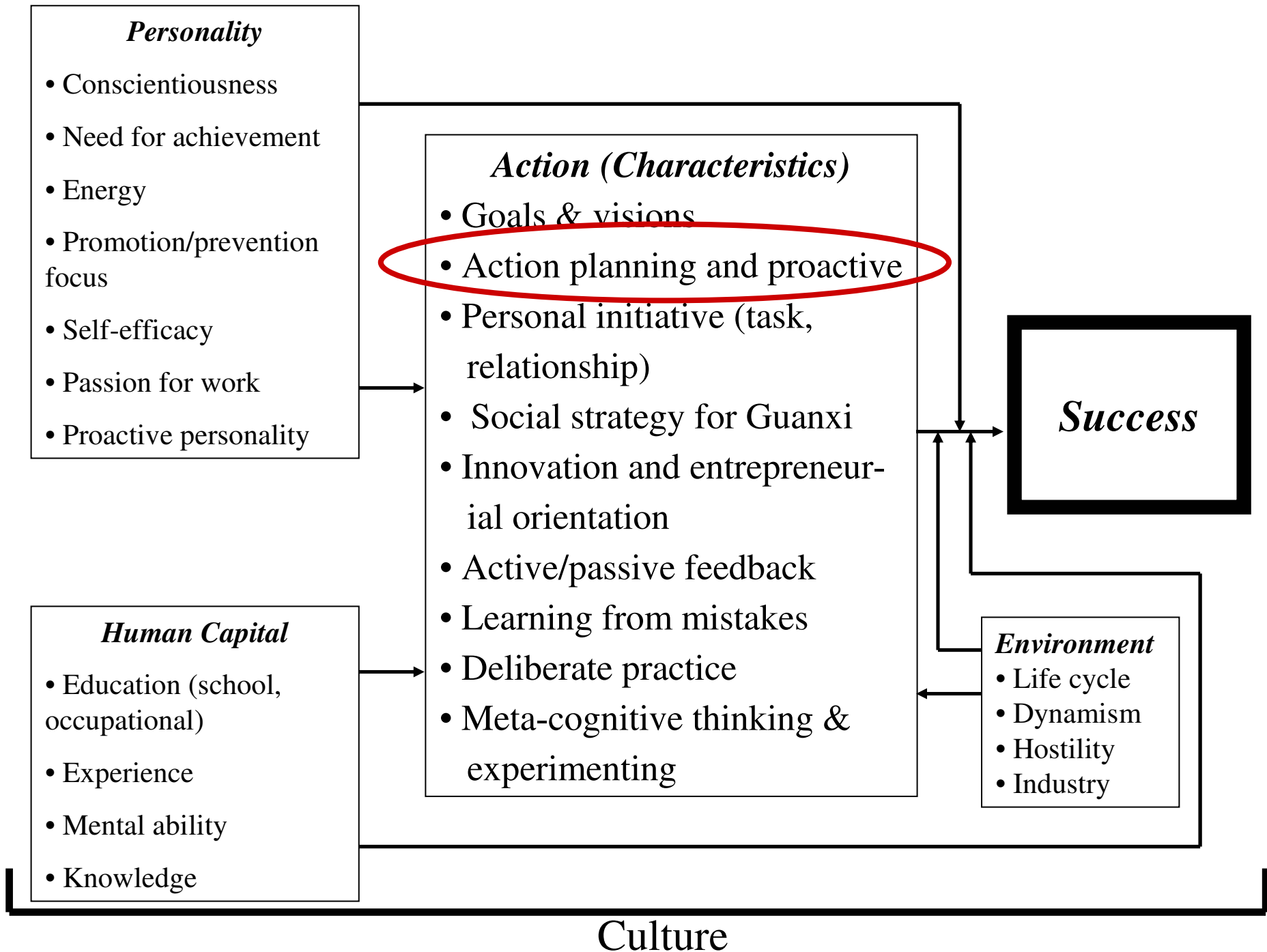


Figure 3. Structural equation indirect effects model. Fit statistics: χ^2 (constrained model) = 65.87; degrees of freedom = 23; $p = .00$. χ^2 (independence model) = 1,194.69; degrees of freedom = 36; $n = 183$. Goodness-of-fit index = .95; adjusted goodness-of-fit index = .90; parsimony normed fit index = .47; root-mean-square error = .040; root-mean-square error of approximation = .054. Asterisk denotes parameter estimate/standard error > 2.0.

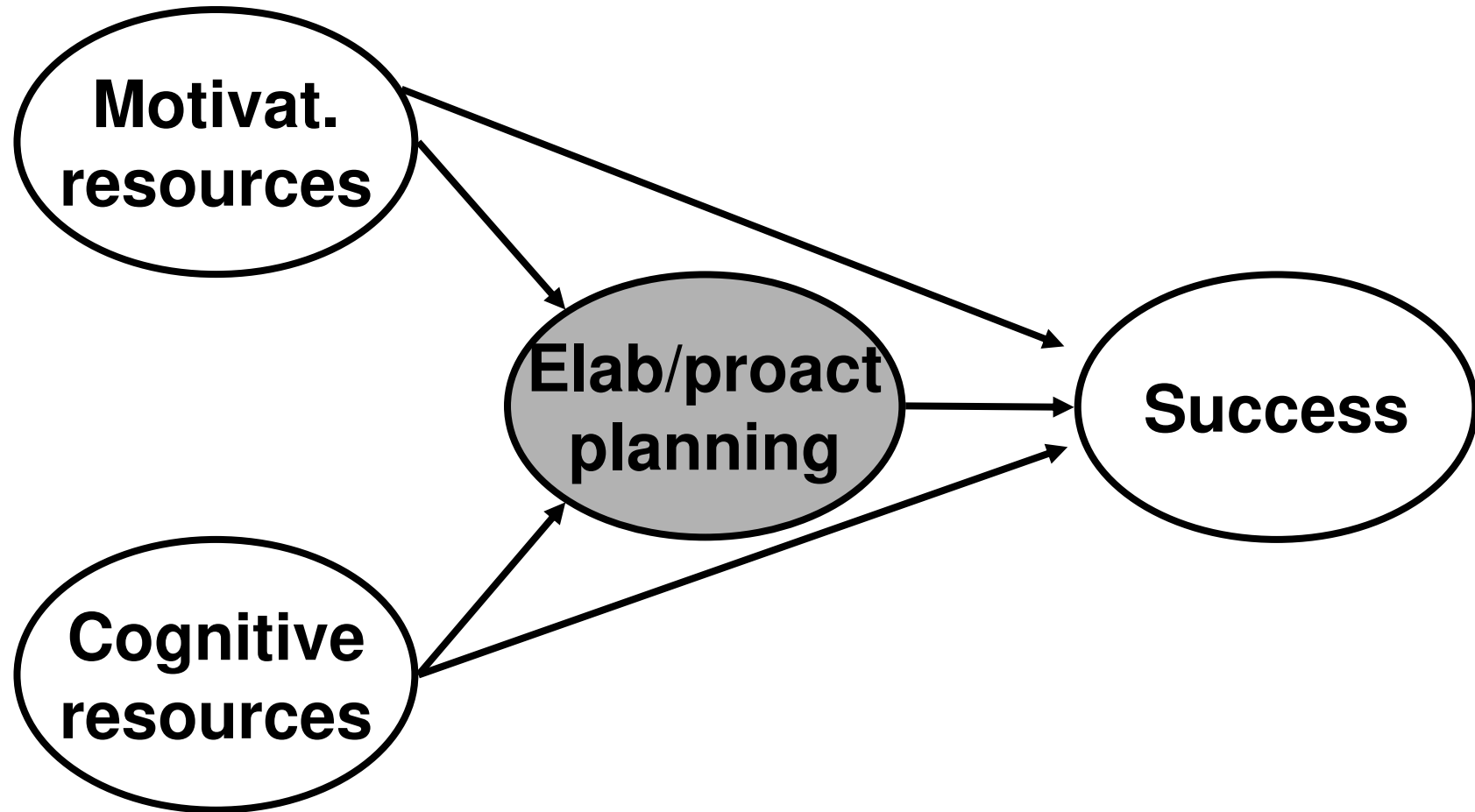
Baum, Locke & Kirkpatrick, Journal of Applied Psychology, 1998



Action and Action Regulation (Frese)

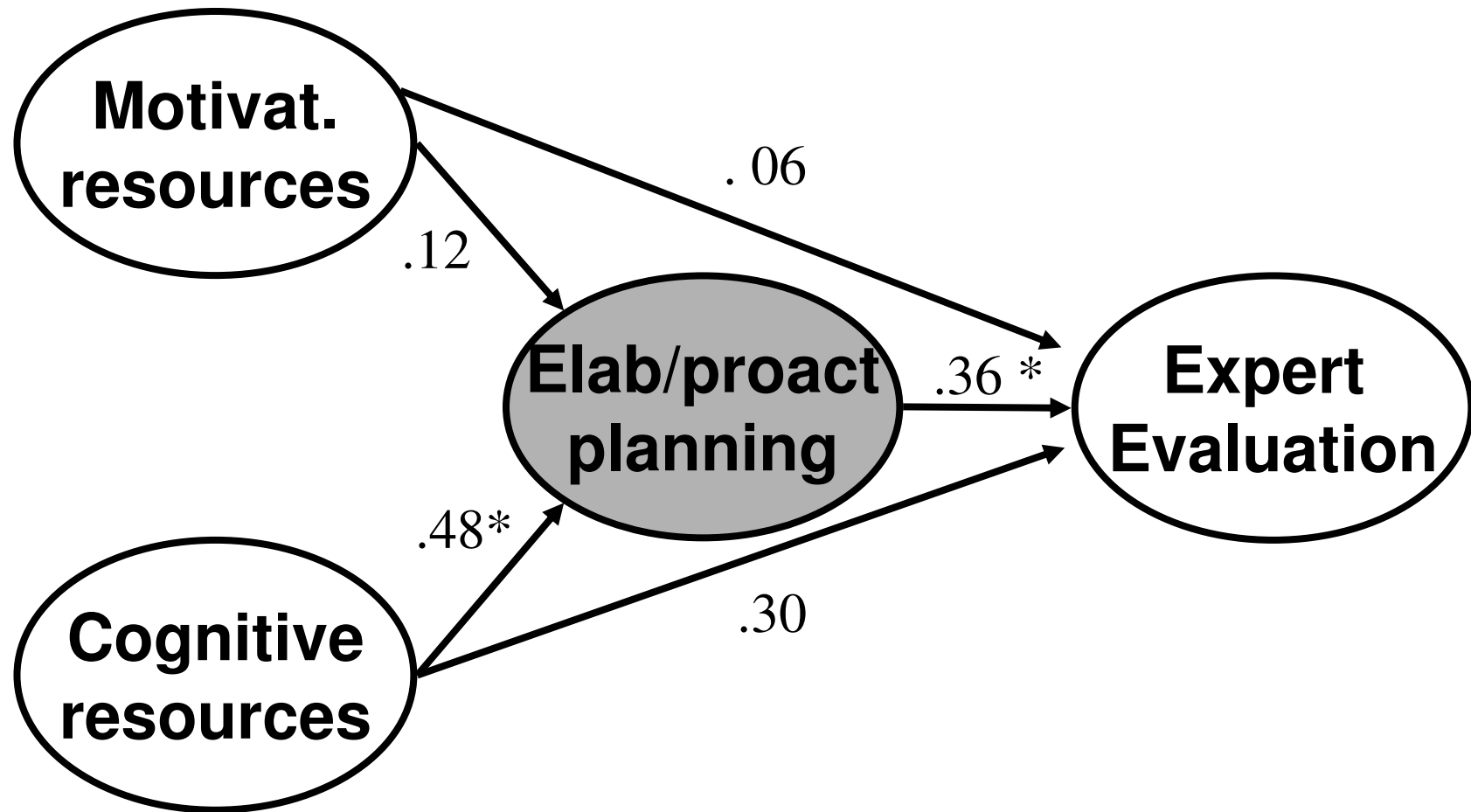
- Proactive and planning strategy
- Personal initiative as self-starting, proactive, and overcoming barriers
- Issues of feedback
- Level of regulation – conscious to automatic (function of intuition)
- Automaticity and flexibility (ultrastability – Volpert)
- Entrepreneurship characterized by highly variable work in changing environments – limits of automaticity
- Regulatory focus: task, contextual, self

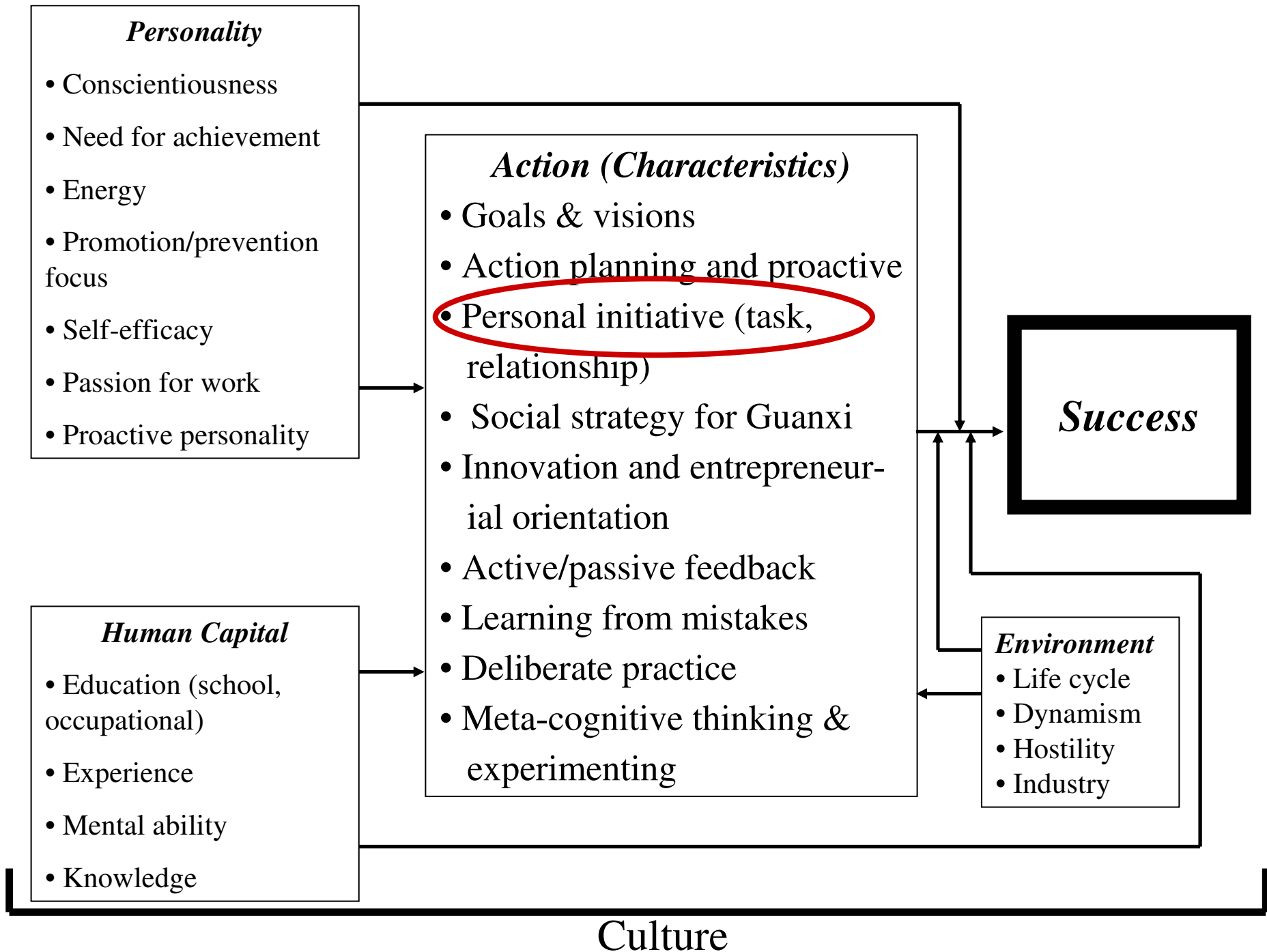
Elaborate & proactive planning: Theoretical mediational model





**Elaborate & proactive planning as mediator:
Results from South Africa (dependent
variable expert evaluation)**





Company Level: Climate for Initiative Items

- People in our company actively attack problems.
- Whenever something goes wrong, people in our company search for a solution immediately.
- Whenever there is a chance to get actively involved, people in our company take it.
- People in our company take initiative immediately – more often than in other companies.
- People in our company use opportunities quickly in order to attain goals.

Climate for Initiative and Return on Assets of Medium-Sized Firms

Holding constant Process Innovativeness, Size, and Industry codes, prior Return on Assets → predicting future Return on Assets:

$$\Delta \underline{R} \quad .30^{**}$$

Baer, M. & Frese, M. (2003) Innovation is not enough: Climates for initiative and psychological safety, process innovations, and firm performance; Journal of Organizational Behavior, 24, 45-68

Relationship Between Personal Initiative and Entrepreneurial Success in Uganda (Correlation)

r with Success

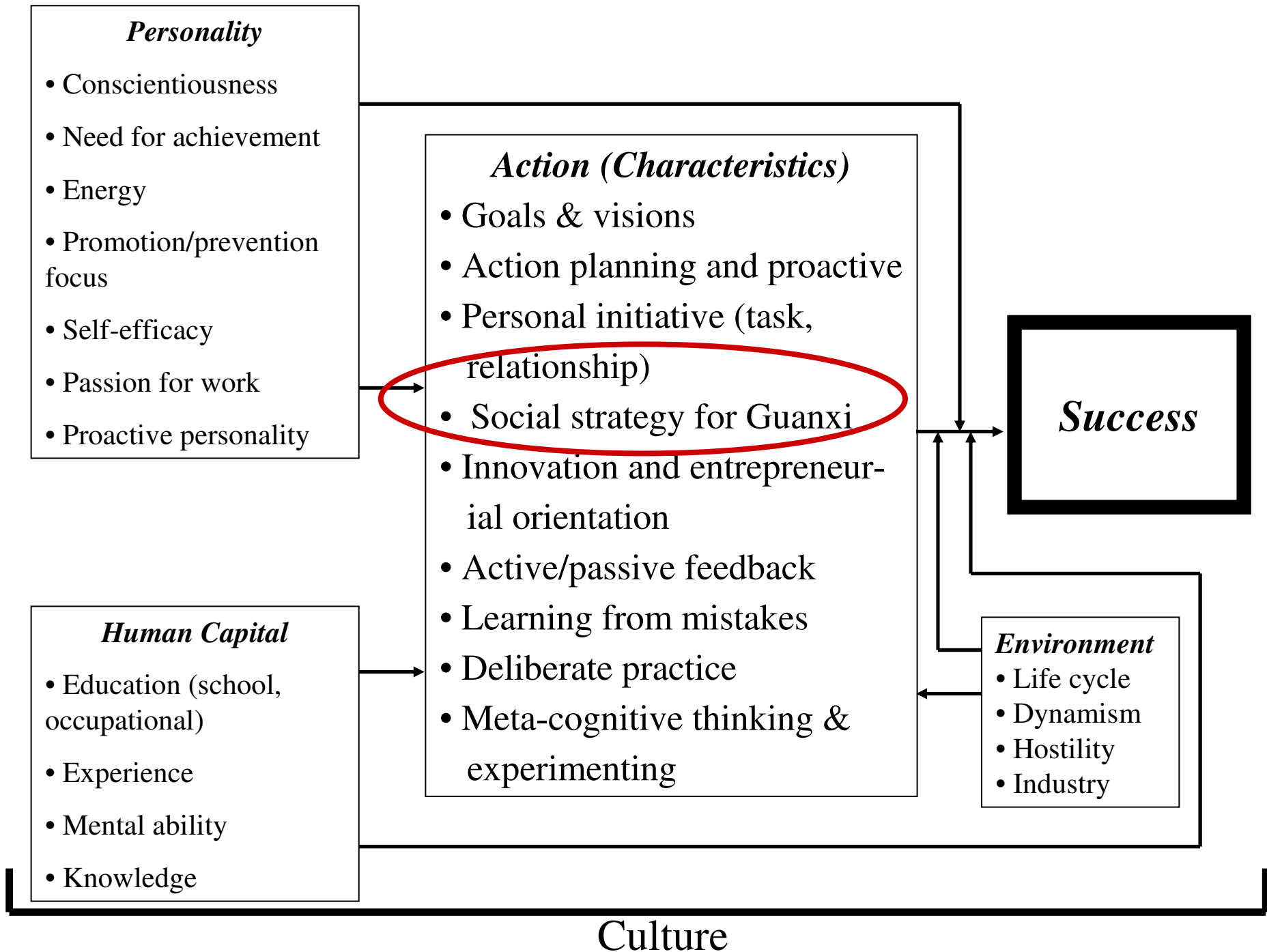
Initiative

.42**

Replicated several times

Relationship of initiative with individual entrepreneurial orientation

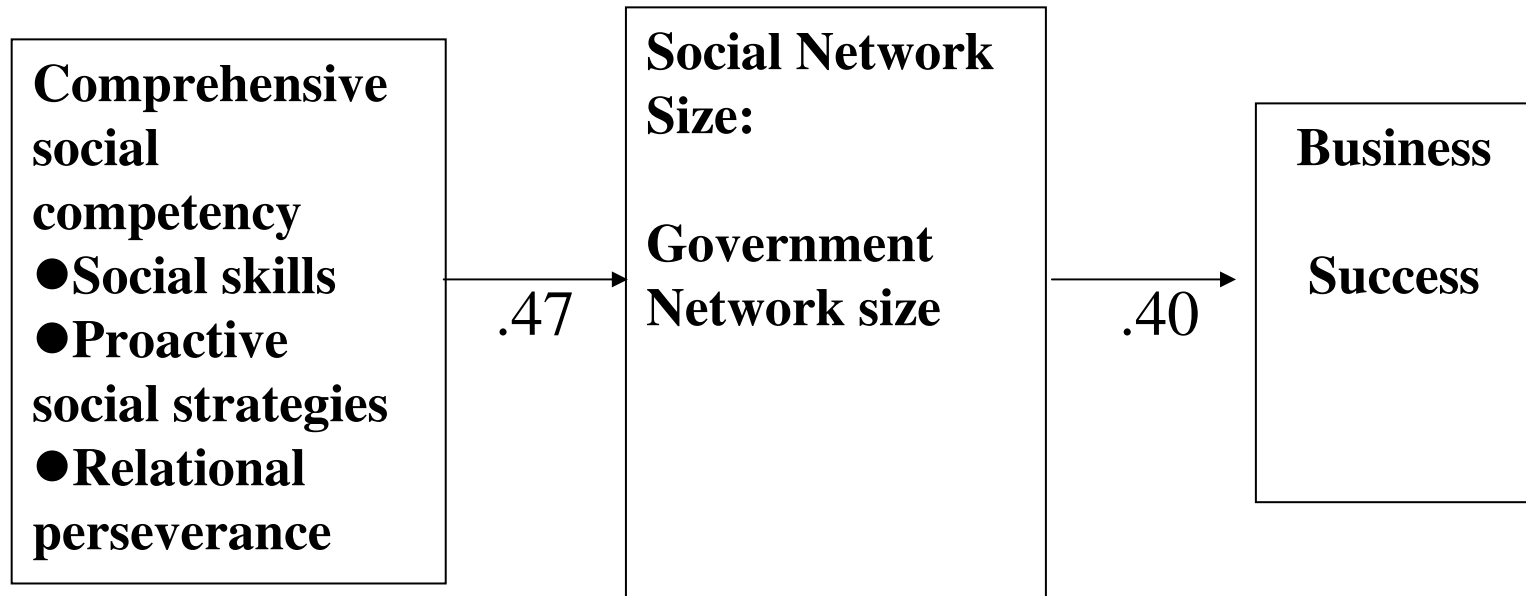
(DeReu, Koop, Frese, 1998)



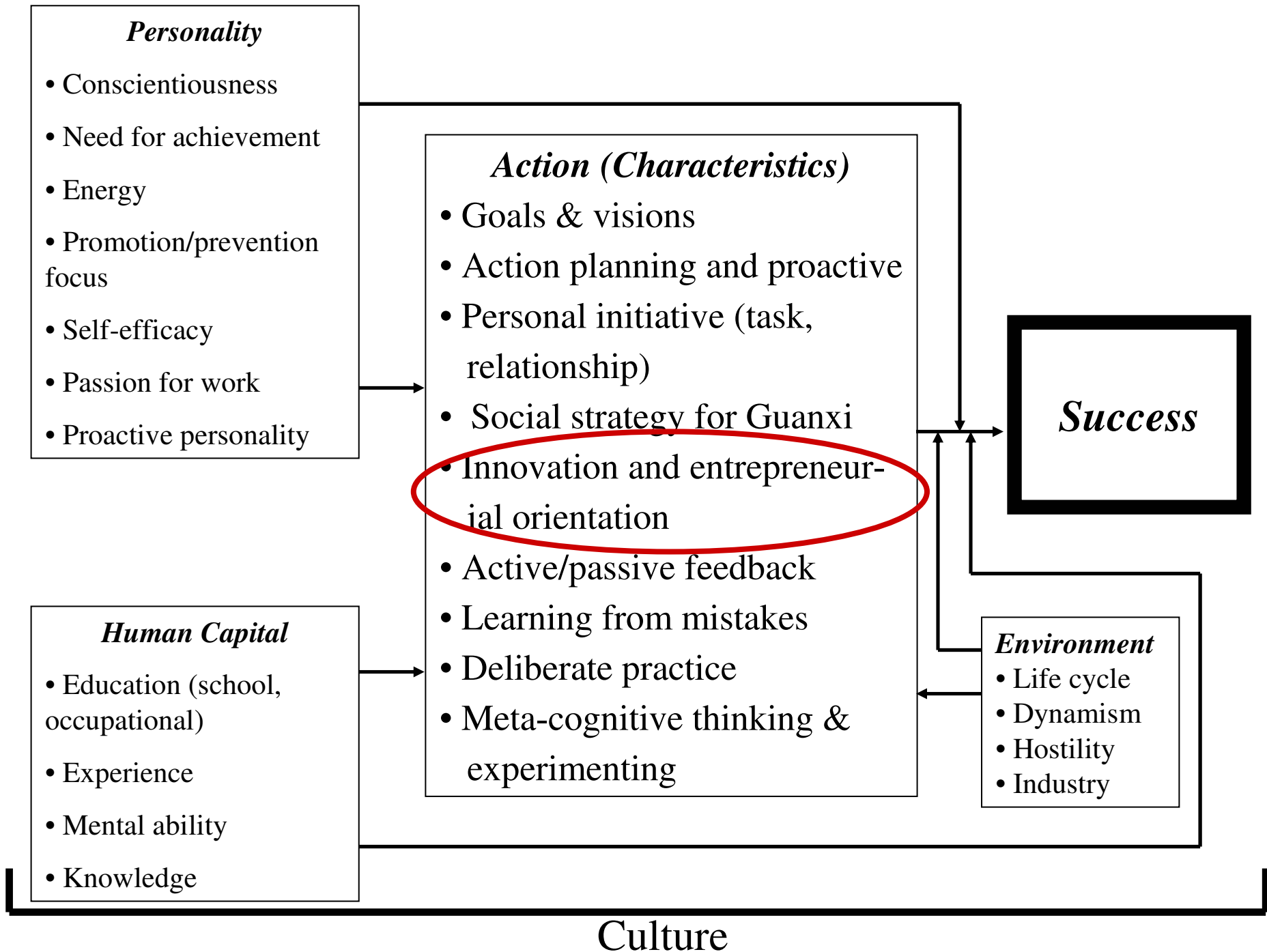
Network (Audia & Rider)

- Entrepreneurship is a result of organizational life
- Providing confidence that a certain strategy and opportunity will work (vicarious information)
- Giving access to privileged information, both in terms of organizational weaknesses and demand by customers
- Providing networks that help in the establishment of start-ups
- Evidence of the latter: Spatial distribution studies (geographic) and more start-ups from employees of small firms

Active Social Strategies - Guanxi



Zhao, X.-Y., Frese, M., & Giardini, A. (2008). Business Owners' Network Size and Business Success in China: A Psychological Perspective. *Giessen: University of Giessen: submitted for publication.*



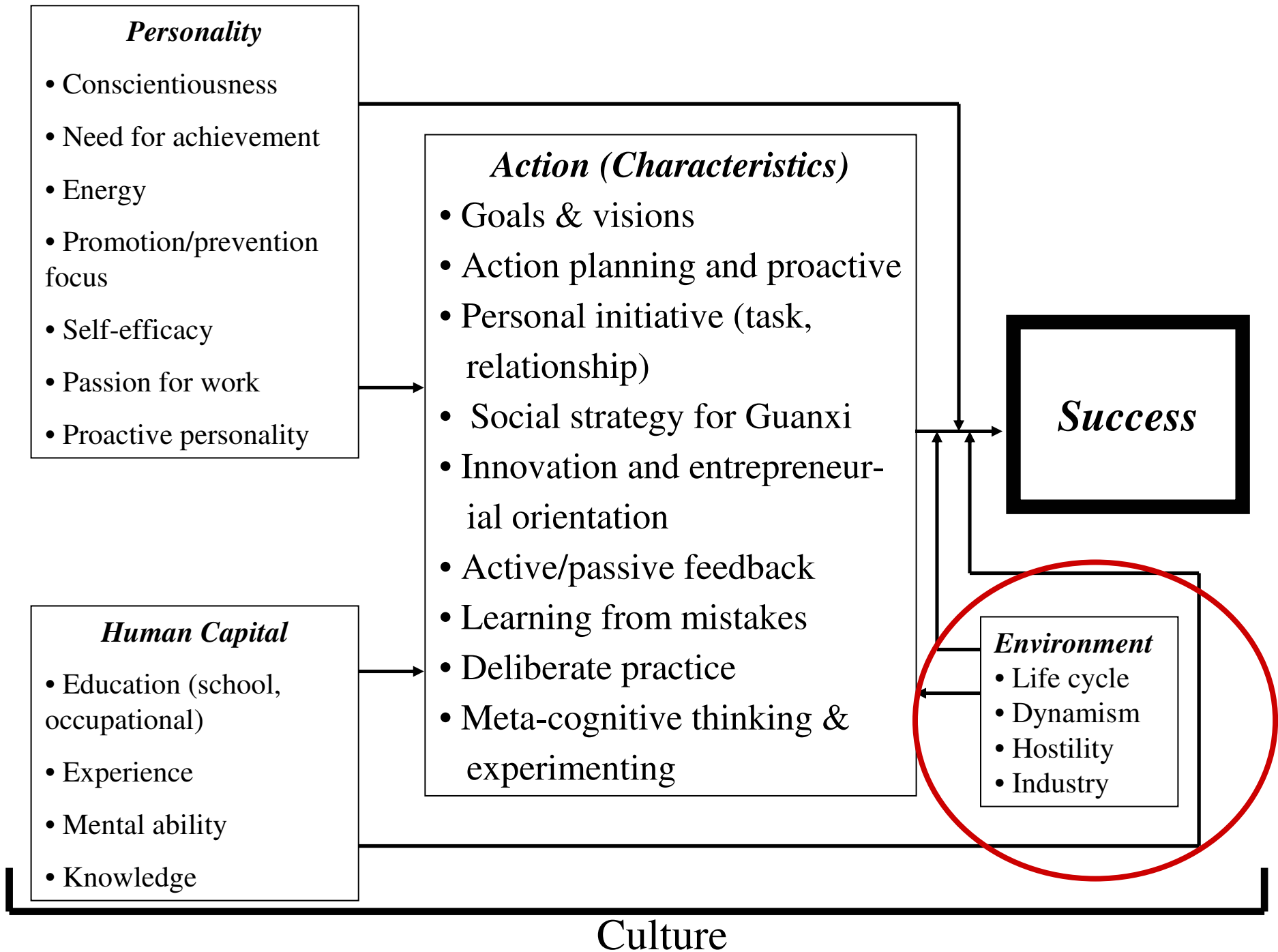
Entrepreneurial Orientation

- Competitive Aggressiveness
- Autonomy
- Risk Taking
- Achievement
- Innovation
- Personal Initiative

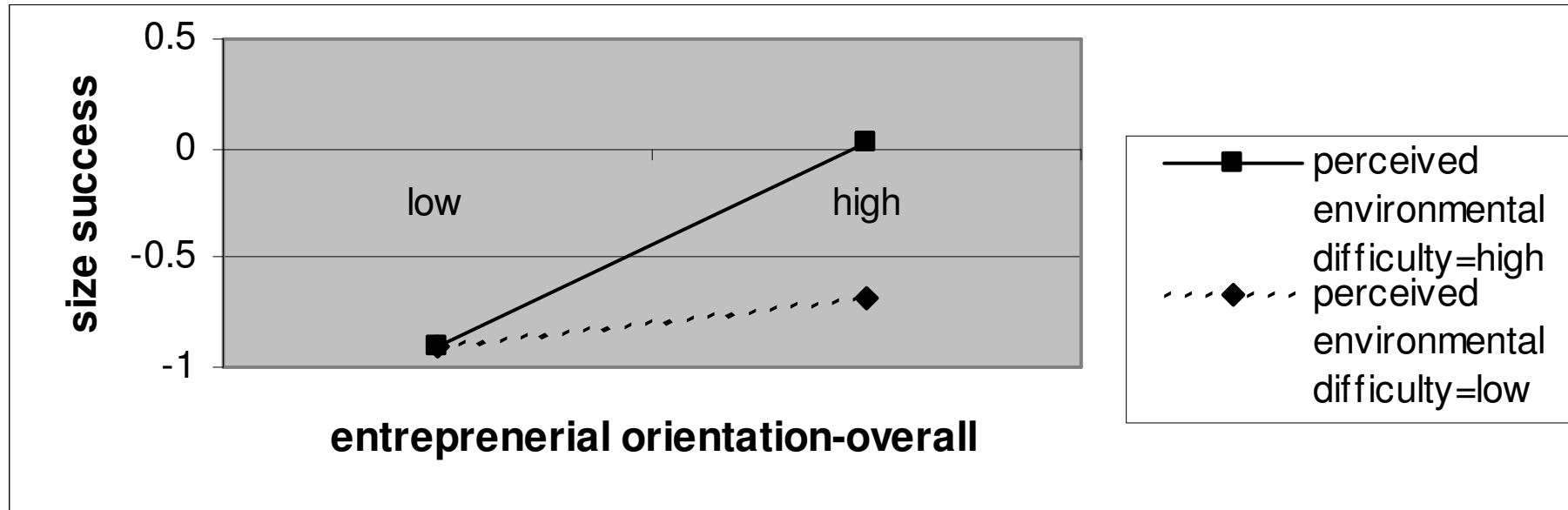
Entrepreneurial Orientation and Success

(Controls, e.g. age enterprise, line of business)

	Interviewer	Economic
Zambia	.40*	-.05
Uganda	.58*	.22*

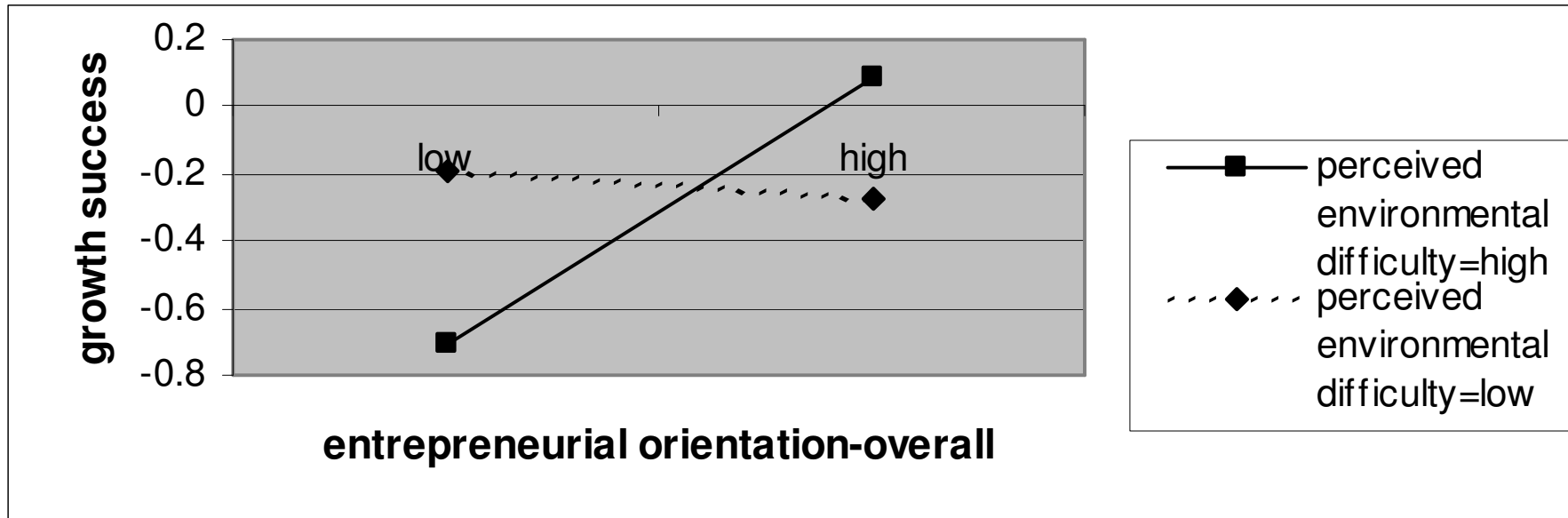


Contingency Viewpoint



Frese, M., Brantjes, A., & Hoorn, R. (2002). Psychological success factors of small scale businesses in Namibia: The roles of strategy process, entrepreneurial orientation and the environment. *Journal of Developmental Entrepreneurship*, 7, 259-282.

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