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The relation between entrepreneurial personality and strategic decision making

Linas Gudonavičius^{a*}, Joshua O. Fayomi^b

^{a,b}*Kaunas University of Technology, K. Donelaičio g. 73, LT-44029 Kaunas, Lithuania*

Abstract

A proper conceptualization of entrepreneurship, entrepreneurs, strategic decision making and personality types has become necessary, as the earliest attempt to explore personality types in relation to entrepreneurs was by Schumpeter in 1928. Not much has been said in literature since then and this paper aims to review relevant literature and propose a conceptual framework to understanding the entrepreneurial personality types while explaining the link to strategic decision making styles. Conceptual analysis of relevant taxonomies was used and a conceptual framework developed and these should serve as the bases for further empirical investigations.

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1. Introduction

Economic growth and development is a desired occurrence by any country and governments are beginning to understand more clearly the role played by entrepreneurs in this process, and although some research has been done on understanding the motivation behind entrepreneurial behaviors in individuals and much has also been said about strategic decision making styles and process in enterprises, very little has been done to conceptualize fully these taxonomies and link them. Since entrepreneurs are expected to constantly make strategic decisions to start and grow

* Corresponding author. Tel.: +37065252525.
E-mail address: linas.gudonavicius@ktu.lt

their businesses, we would try to propose the personality compositions of entrepreneurs and their decision making style. The framework developed in this research should serve as a base for further studies and possible empirical investigation.

2. Method

The research is based on theoretical literature review and conceptual analysis of the following keywords: Strategic decision making, entrepreneurship, entrepreneur, entrepreneurial strategic decision making, and personality as they are used in this paper.

3. Results

3.1. *Entrepreneurship conceptualization*

There have been numerous attempts to define who an entrepreneur might be. Entrepreneurs have for instance been deemed risk-takers and rugged individualists (McGrath, MacMillan, & Heineberg, 1992) and as being a breed apart (Ginsberg & Bucholtz, 1989). Yet other definitions have focused on founders of new ventures (e.g., Begley & Boyd, 1987) or owners of small businesses (Masters & Meier, 1988). Douglas and Shepherd (1999) argue that entrepreneurs have been characterized as “people who respond to opportunities for creating new products and services that arise due to technical progress” (p. 232). a significant definition is that of the Commission of the European Communities (2003 in: Stefanescu and Ona (2012): entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organization.

Stefanescu and Ona (2012) in their review of recent literature and attempts to define entrepreneurship argue that in the last decade, the concept was adapted to the new particularities of the complex economic environment, thus, Shane and Venkataraman (2000) stressed that entrepreneurship includes also the study of sources of opportunities. One recent definition belongs to Ahmad, Nadim, and Anders N. Hoffmann (2008) and Ahmad, Nadim, and Richard G. Seymour (2008). Based on their vision, entrepreneurship is the phenomenon associated with the entrepreneurial activity, i.e. the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Having in mind that entrepreneurship is a multifaceted and heterogeneous activity (Audretsch and Thurik, 2001; Audretsch, 2002) and Taking into consideration the wide and complex content of the entrepreneurship concept, we identified numerous correlations with other economic aspects. A relatively recent approach, entrepreneurship is studied along with sustainable development, globalization, and economic growth.

Douglas and Shepherd (1999) assert that “entrepreneurship research can be classified under three main categories: namely how entrepreneurs act (i.e., what it is they do); what happens when entrepreneurs act (i.e., what are the outcomes of their actions); and why people choose to be entrepreneurs (i.e., what motivates them to be entrepreneurs)”. Therefore the study of Entrepreneurial strategic decision making falls in the first category, namely how entrepreneurs act or more specifically, how entrepreneurs make strategic decisions. This paper seeks to investigate how personality types affect the decision making of entrepreneurs and thus, this research would seek to relate those personality types with entrepreneurial strategic decision making styles Entrepreneurs are known for what they do: they create new products, processes, and services for the market. In general, entrepreneurs are individuals who bring about an improvement, both for other individuals and for society as a whole (Hisrich & Peters, 1989). Low and MacMillan (1988) presents a thoughtful and critical reflections on personality profile of entrepreneurs, including aspects like need for achievement, locus of control, risk-taking propensity, tolerance for ambiguity, need for autonomy, dominance, and independence or capacity for endurance which is useful in understanding entrepreneurial strategic decisions.

In this conceptualization however we will adopt the Schumpeterian entrepreneurship theory which is most clearly described in his Theory of Economic Development, where among other things he lays the groundwork for his famous concept of “Creative Destruction” (McCaffrey 2009). And this is important to our conceptualization in that creativity is the main idea behind entrepreneurship and the destructive nature of new concepts and idea on the

preexisting status quo is what Schumpeter was more or less referring to in his work. For Schumpeter the entrepreneur plays the most important role in capitalist society because he introduces change, which is the fundamental fact of capitalist life what precisely is the entrepreneurial function, according to Schumpeter? As Kirzner observes, “[for Schumpeter,] entrepreneurship is reserved for the brilliant, imaginative, daring, resourceful innovator” (1973, p. 129). In Schumpeter’s view, the entrepreneur is the driving force of all economic transformation under capitalism. He does this by “carrying out new combinations” (1961, p. 132, and throughout), by which is meant that he introduces innovation, be it a new invention or merely a new production process.

In a handbook article on Entrepreneur (Schumpeter 1928) that Schumpeter finished in 1926, he provided a typology of entrepreneurs (see Table 1 below). Interestingly, one important characteristic along which the different types are distinguished is whether what drives the entrepreneurial behavior (motivations) is socially acquired or inborn. This shows that Schumpeter was aware of the difference between inborn personality traits and socially transmitted personality dispositions.

Table 1. Schumpeter’s typology of Entrepreneurial Motivation.

Type of entrepreneur	Motivation	Origin of motivation
The factory owner and merchant	Care of the family, duty	Socially transmitted
The modern captain of industry	Will to win, exercise power	Inborn personality trait
The manager who actually carries out the entrepreneurial function	Applause of colleagues, recognition from others	Socially transmitted
The ‘founder’ (promoter)	Urge to action, seeking and carrying out new possibilities	Inborn personality trait

3.2. Personality types

There is considerable evidence that personality is associated with human performance. For example, meta-analytic studies indicate that the Big Five traits, and particularly conscientiousness and emotional stability, are associated with performance at many different types of work (Barrick et al., 2002, Dudley et al., 2006 and Salgado, 1997). Personality also appears to influence various aspects of decision-making and that dispositional anxiety is associated with risk-avoidant decision-making (Maner et al., 2007). The influence of personality also appears to extend to decision-making performance (Davis, Patten, Tweed, & Curtis, 2007) as measured by the Iowa Gambling Task. Another way to better understand personality as it affects decision making in entrepreneurs is to concentrate on occupational identities. Hogan and his colleagues (e.g., Driskell, Hogan, & Salas, 1987; Hogan & Blake, 1996; Hogan et al 1998) suggest that Holland’s (1966, 1997) typology of personalities (also known as RIASEC theory) would be useful in this regard. Holland classified people using six personality types: realistic (R), investigative (I), artistic (A), social (S), enterprising (E), and conventional (C). According to Holland, realistic types seek environments that allow them to work with tools, objects, animals, or machines, and they tend to avoid environments that require a good deal of social interaction. Investigative types prefer settings in which they can observe and systematically examine physical, biological, or cultural phenomena, and they tend to avoid environments that require a good deal of persuasive activities. Artistic types prefer ambiguous unstructured activities that allow them to create art from physical, verbal, or human materials, and they tend to avoid environments that require clerical and computational activities. Social types prefer working with others to teach, develop, or cure them, and they tend to avoid work with things such as machines. Enterprising types prefer persuasive and leadership roles and they tend to avoid science. Finally, conventional types enjoy the systematic examination of data, and they tend to dislike environments that require ambiguous unstructured activities.

3.3. Strategic decision making, types of strategic decision making and personality

Strategic decision making has been studied in a wide variety of settings, and has attracted wide spread research attention from a broad array of scholars in different fields. Some scholars focused on the content of strategic decision making and identified key steps in the strategic decision making process or the most important types or categories of strategic decision making processes (for an overview, see Schwenk, 1995), while others focused on the factors that influence the strategic decision making processes. To date, strategic decision making research has explored several factors related to the environment, organization or decision specific factors (see Rajagopalan, Rasheed, & Datta, 1993). In the end however, the decision is often made by an individual (in this case THE ENTREPRENEUR) and strategic decision making research still lacks integrative approaches on the factor of the entrepreneurs personality that influence strategic decision making processes and outcomes.

Mintzberg, Raisinghani and Theoret (1976) define a strategic decision as one which is important, in terms of the actions taken, the resources committed, or the precedents set (p.246). Quinn (1980) suggests that these decisions determine the overall direction of the firm. In line with this, Eisenhardt (1989) defines strategic decisions as those which: (1) involve strategic positioning, (2) have high stakes, (3) involve many of the firm's functions, and (4) [can] be considered representative of the process by which major decisions are made at the firm. Eisenhardt & Zbaracki (1992) add that strategic decisions are

□those

organization that critically affect organizational health and survival. Other authors note in addition that decisions which are strategic in one industry may not be so in another (Hickson, Butler, Cray, Mallory & Wilson 1986). However, Dean and Sharfman (1996) note that in their research that managers had no trouble in identifying strategic decisions. Simon's (1947) pioneering analysis of administration as a system for structuring decision-making, this process has been allotted a key place in organizational theory. The recognition of organizations as sources of social change has focused more attention on the way that decisions taken within organizations affect their surroundings (Clegg and Dunkerley, 1980; Colignon and Cray, 1980; Pfeffer and Salancik, 1978). Thus the process of making organizational decisions is important not just for the success or failure of the organization but for the allocation of resources by policy makers within any economy. Thunholm (2004) states that Decision-making style involves general information processing practices, sometimes referred to as cognitive style in decision-making, he goes further to discuss other styles for making decision which include: The intuitive decision-making style, the dependent decision-making style, the avoidant decision-making style, the spontaneous decision-making style and also rational decision style. Dewberry et al (2013) explains decision making styles as: intuition, vigilance, spontaneous, intuitive, automatic, associative, fast, heuristic, analytic, explicit, and rule-based. And Leykin and DeRubeis (2010) also discussed dependent, avoidant, brooding, and anxious decision making styles.

Gati, Landman, Davidovitch, Asulin-Peretz and Gadassi (2010) in their paper argue that previous studies have typically yielded taxonomies describing decision-making styles, based on the assumption that a decision-making style is a relatively stable personality disposition (e.g., Harren, 1979; Jepsen, 1974; Johnson, 1978; Sagiv, 1999). They further argue that While some researchers have focused on a rather restricted repertoire of characteristics (e.g., Harren, 1979 proposed the rational, intuitive, and dependent styles; Johnson, 1978 referred to two dimensions – systematic vs. spontaneous and internal vs. external; similarly, Walsh, 1987 referred to two dimensions – thinking vs. feeling and introvert vs. extrovert), others have used a wider repertoire of styles (e.g., Arroba, 1977; Dinklage, 1968; Nevo, 1989). They conclude that the number and variety of characteristics that can be used to describe individuals' decision-making styles has continued to be of interest. Scott and Bruce (1995), for example, added the avoidant and the spontaneous decision styles to Harren's (1979) rational, intuitive, and dependent styles. Nevo (1989) described 13 decision styles, each characterized by a different dominant personality trait (e.g., the quick decision-maker and the perfectionist decision-maker).

The literature reveals patterns of a relationship between entrepreneurs personality and their decision making styles since Cognitive styles have been defined as stable attitudes, preferences, and habitual strategies which determine an individual's modes of perceiving, remembering, thinking and problem-solving (Messick & Fritzky, 1963) while rational decision making is based on the premise that People are 'not hardwired to behave irrationally' (Boumans 2011). Implying that people who have acquired deep wells of knowledge and experience through their curiosity, openness, and propensity to seize their opportunity are able to reach intuitive decisions much more

frequently (Matzler et al 2007). With this in mind we seek to develop the relationship between the decision making styles and personality types through our conceptual framework in the table 2.

Table 2. Conceptualized decision styles and Holland’s typology of personalities

Decision making styles	Conceptual classification of decision making styles	Personality types
Analytic	Rational	Realistic (R)
Dependent		
Avoidant		Investigative (I)
Rule-based		
Rational		
Systematic		
Internal		
Introvert		
Thinking		
Feeling	Cognitive	Conventional (C)
Cognitive		Social (S)
Extrovert		
Vigilance		
Automatic		
Associative		
Heuristic	Intuitive	Enterprising (E)
Spontaneous		
Explicit		Artistic (A)
External		
Fast		
Avoidant		
Brooding		
Anxious Intuitive		

This paper is a foundation for future empirical studies which already is been carried out through primary data collection which when analyzed would validate our conclusion that Given the substantial evidence that personality is associated with general performance, and that it also influences decision-making (Davis et al., 2007 and Franken and Muris, 2005), it is plausible that entrepreneurs personality explains variation in his everyday decision-making style.



Figure 1. Personality types and decision making style of entrepreneur

In conceptualizing Holland’s (1966, 1997) typology of personalities (also known as RIASEC theory) alongside rational, cognitive and intuitive styles The figure above shows the entrepreneurs (E) propensity to tend towards intuitive decision with entrepreneurial types tending to range from social(S) to artistic(A) personalities.

4. Conclusions

This paper explores and conceptualizes entrepreneurial personality groupings while proposing strategic decision making patterns. In reviewing the literature, several definitions were considered and Schumpeter’s theory of economic development (1934) in which he placed more clearly entrepreneurship at the center of our understanding of the economy was considered most relevant. A continued and more detailed investigation into strategic decision making patterns is necessary to understand personality traits that are most inherent in entrepreneurs, and this paper is an important step in the direction of understanding the theories and taxonomies and lays the foundation for qualitative analysis.

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