

## **Can psychological approaches be used effectively: An overview**

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Using the contributed papers as a base, this overview discusses aspects of the issue of using psychological approaches to study entrepreneurship, the contributions of each of the four papers, and the research implications and future of the area.

Entrepreneurs are key individuals who play important and fundamental roles in various institutions in a market economy including business, governmental agencies, education, and even not-for-profit organizations. Although entrepreneurs actually predate capitalism, they are especially associated with this economic system more than any other and recently have been identified as one of the most important elements in advancing this system.

Although some economists believe that entrepreneurial activities are highly elastic, attributing failures to not adjusting to market conditions and/or not having available the right incentives, this treatment does not do justice to the entrepreneur or the activities involved such as: a middleman between markets, a provider of resources, or an identifier of new product or market opportunities. The study and understanding of this important phenomenon is more deeply mixed within such other disciplines as anthropology, sociology, and psychology.

### **PSYCHOLOGICAL APPROACHES**

For entrepreneurship to emerge as a coherent discipline, it is necessary that a paradigm be established that develops all aspects of the actor-system, where an entrepreneur creates and grows a new entity. The research on the entrepreneur has been furthered by two psychological approaches: characteristics and personality. Each of these two approaches have some limitations since there is really no such thing as a “true entrepreneur” (Hisrich & Peters, 1998). Entrepreneurs come from a wide variety of educational backgrounds, family

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situations, and work experiences. A potential entrepreneur may presently be a nurse, secretary, assembly line worker, salesperson, mechanic, homemaker, engineer, volunteer, or a manager. A potential entrepreneur can be male or female, of any race or nationality, or have a variety of personality aspects. In spite of this, these two psychological approaches have yielded some insightful results.

## Characteristics

Although many aspects of the entrepreneur's background and characteristics have been explored, such as childhood family environment, education, personal values, age, and work history, few have differentiated the entrepreneur from managers or even the general populace, and even those that did had conflicting results depending on the research situation. The studies of birth order, childhood family environment, education, personal values, and age all have had conflicting results (Hisrich & Brush, 1984, 1986; Gasse, 1971; Ronstadt, 1983). Of all the characteristics, work history seems to have the least divergence in findings, with entrepreneurs coming from similar fields of business having a higher probability of success.

## Personality

Studying entrepreneurship from a personality perspective has focused primarily on three areas: locus of control, need for achievement, and risk taking. Taken from social learning theory (Rotter, 1966), locus of control is an attribute indicating the sense of control that a person has over life. Although some studies have found an association between an entrepreneur's intentions and career success and internality (Jennings & Zietnam, 1983), other studies have had mixed results (Brockhaus, 1980). Given these differences, internal locus of control has not proved to be a particularly useful variable in entrepreneurship research.

An even more controversial variable is the entrepreneur's need for achievement (McClelland, 1961). Although McClelland felt that a high need for achievement would lead an individual to engage in entrepreneurial activities, some studies have concurred and some studies have not. Besides these conflicting results, McClelland's overall theory raises some overall methodological problems (MacDonald, 1965).

The final psychological approach—risk-taking—is intuitively appealing, as virtually all more recent definitions of entrepreneurship mention a risk-taking component. The results of the relationship between risk taking and entrepreneurship have also been inconclusive, in part reflecting definitional and measurement difficulties. For example, some studies focus on general risk taking and entrepreneurship, whereas others focus on a more specific risk-taking characteristic.

## CONTRIBUTIONS

Given these conflicting results, this special issue on psychological approaches to entrepreneurship not only contributes to the body of knowledge but also hopefully will stimulate further research in this important area.

Stanley Cromie in his article presents an overview of some of the research on the relationship between personality variables and entrepreneurial inclinations. He considers various aspects of personality that are characteristic of entrepreneurs and examines how these can be used as tests to identify such individuals. Acknowledging the problems in identifying an individual profile that is distinctly entrepreneurial, Cromie cites the need for developing a constellation of personality traits that would achieve this goal. He suggests that the Durham University's GET test might have some potential in this regard.

In the second article, Christopher Allinson, Elizabeth Chell, and John Hayes look at intuition and entrepreneurial behaviour, attempting to differentiate entrepreneurs from non-entrepreneurs through this aspect. Using the Cognitive Style Index (CSI) as a measure of the intuitive—analytic dimension, founders of high growth companies, and managers were surveyed. The results indicate that founders (entrepreneurs) of high growth firms were more intuitive than middle and junior managers but had cognitive styles more similar to senior managers.

Andreas Utsch and Andreas Rauch test a model in which innovativeness and initiative are mediators between achievement orientations and venture performance through structural equation model of the data from 201 entrepreneurs. The results indicate that a mediation model provides the best data fit, with innovativeness being the most powerful factor. Initiative was not found to be a mediating variable. A strong link was also found between achievement orientations to innovativeness and innovativeness to both venture performance variables.

Appropriately, the article by Elizabeth Chell uses a social constructionist theoretical framework to prepare a seven-point research agenda. The article points out that the entrepreneurial personality is embedded in the entrepreneurial process of wealth creation and is not deterministic. Feeling that it is not sufficient to use psychometric methods to identify distinguishing entrepreneurial traits, the author points out the need for more observational studies to look at these traits within the business environment.

## CONCLUSIONS

In spite of the conflicting results, and the fact that personality factors have been criticized on both theoretical and empirical grounds (Gartner, 1985), the study of entrepreneurship through various psychological approaches will and should continue. Researchers should keep in mind that, overall, psychological approaches are questionable since they tend to establish too simple a correlation

between micro personality variables and macro economic and sociological variables. In addition, these approaches tend to focus too heavily on one or more personality traits, making the economic activity of the entrepreneur too much a function of personality. This underplays the role and importance of a myriad of important external structural influences. For any meaningful research to result, psychological approaches in the future study of entrepreneurship need to carefully define the personality variables being studied and research these in appropriate situational–structural conditions. Even then, given the results of past research as well as that reported in this special issue, great care must be taken to ensure that the psychological approach used in entrepreneurship research yields meaningful results.

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