ENTREPRENEURS ON THE COUCH: LEARNING FROM MIDAS

Victor Tiberius, University of Potsdam

ABSTRACT

The Midas complex is a pregenital mental disorder that replaces the love for one's parents and the need for sex by the love for wealth. In this paper, I use this as a perspective on unfavorable personalities that are much neglected in current entrepreneurial trait research. This exemplarily demonstrates that academic research is missing important issues. It further suggests considering entrepreneurs as a heterogeneous rather than homogeneous group that should be subject to in-depth differential-psychological research.

Keywords: Dark Personalities, Entrepreneurial Behavior, Entrepreneurial Cognition, Midas Complex, Wealth Attainment.

INTRODUCTION

Research on the influence of specific sets of personality traits on entrepreneurial cognition and behavior is well established (Brandstätter, 1997, 2011; Rauch & Frese, 2007). Traits are seen as rather stable dispositions which hardly change over time but produce consistent behavior across different situations. In this regard, they largely differ from changeable cognitive aspects such as entrepreneurial knowledge and skills that can be trained through entrepreneurial education (Centobelli et al., 2019; Katz, 2003; Kuratko, 2005).

Especially the Big Five approach (Costa & McCrae, 1992) which has been widely applied in many contexts, is also the dominating framework in entrepreneurial traits research, as several meta analyses have demonstrated (Brandstätter, 2011; Rauch & Frese, 2007a; Zhao & Seibert, 2006; Zhao et al., 2010). Further well established personality models for entrepreneurship are the 16PF questionnaire (Cattell & Schuerger, 2003), the Myers-Brigg type indicator (Briggs Myers, 1995), and the Eysenck personality questionnaire (Eysenck & Eysenck, 1975). In general, it seems to be more promising to focus on specific entrepreneurial rather than general traits (Rauch & Frese, 2007b). Three traits specifically important for entrepreneurs, a need of achievement, internal locus of control, and risk taking propensity, have been labeled as the Big Three (Ahmed, 1985; Chell, 2008).

Common to all these endeavors is a focus on favorable personality traits and their influence on superior entrepreneurial performance. A view on negative personality traits is rather neglected (Miller, 2014). However, dark personalities do exist and, therefore, deserve closer attention. In addition, negative personalities could have not only downsides but also upsides (Smith et al., 2018).

Against this background, this paper exemplarily uses the relatively unknown Midas complex as a lens through which a specific problematic personality can be identified. In a nutshell, the Midas complex is a pregenital mental disorder where love is replaced by wealth attainment. In this paper, some high-growth oriented technological start-up entrepreneurs are seen as playful rebels who strive for wealth.

THE MIDAS COMPLEX

By analogy with Sigmund Freud's (1913) Oedipus complex, Ernest Borneman (1973) also used a figure from Greek mythology as a metaphor for a psychoanalytic concept. After catching Dionysus' teacher, the wise Silenus, greedy King Midas, as a compensation for Silenus' release, wished for everything he touched to turn into gold. The wish was granted by Dionysus, and Midas rejoiced in his infinite wealth - but only for a short time until he realized that also women, wine, and food he touched would turn into gold. Legend has it that Midas died of starvation. Despite all the wealth, he was not able to satisfy his most basic needs.

Developed in Borneman's (1973) psychoanalysis of money and later taken up by Harsch (2012) and Kipnis (2013), the Midas complex is a less known functional mental disorder where the love for one's parents and later also the need for sex are replaced by the love for money, gold, or other symbols of wealth. Unlike the genital Oedipus complex, the pregenital Midas complex concerns individuals who, regardless of their age, are stuck in their oral or anal stage of psychosexual development usually spanning from birth to the age of three (Freund, 1920).

MIDAS AND TECH START-UP ENTREPRENEURS

Certainly it should not be suggested that all or even many tech start-up entrepreneurs are suffering from a mental disorder. However, the Midas complex can offer a specific perspective on phenomena that can be found within the contemporary technology start-up scene and are being discussed in public media but which have not been scientifically inquired in detail yet: The continuance in a childish, playful phase, the tendency to rebellion, and the striving for colossal wealth.

PLAYFULNESS

The childish and playful characteristics can exemplarily be found in start-ups' corporate culture, corporate communication, and funding behavior.

Technology start-ups promote a corporate culture that is related to fun, coolness, and smartness rather than the traditional merchant honor perceived as too boring. Playful culture manifests in symbols that sometimes remind of kindergartens: Founders and their employees can enjoy colorful furniture and decoration, refresh in swimming pools, play table tennis or table soccer at work, or drive to their next meeting with mini scooters or skateboards. Work is fun!

Opposed to this, conventional start-ups foster a more mature appearance and behavior as this suggests trustworthiness and reliability towards their stakeholders.

A childish spirit is also manifested in external corporate communication. The founding and development of the start-up is communicated publicly and intensely, partly almost celebrated, to draw lots of attention among investors, and early adopters. The label of being a start-up is kept up rather long. In analogy with psychoanalytic body of thought tech start-up entrepreneurs are stuck in a premature phase.

In contrast, traditional start-ups often rather try to keep secret that they are young, since most customers prefer to buy products from established companies.

Technology start-ups also seem to have an infantile attitude towards funding. For example, Fried/Hansson (2010: 56) criticize that start-ups still have a pre-2000, new economy thinking: "It's a place where expenses are someone else's problem. It's a place where that pesky thing called revenue is never an issue. It's a place where you can spend other people's money until you figure out a way to make your own. It's a place where the laws of business physics don't apply". Children get their pocket money without return service as opposed to grown-ups who have to work for their money. Similarly, technology start-ups rely on pre-seed, seed, angel, A-series, B-series, C-series, and possibly several more funding rounds. In this regard, venture capitalized start-ups rather resemble acts of corporate venturing (Burgelman, 1983) as money does not seem to be a scarce resource. Correspondingly, founders of such start-ups act more like intrapreneurs (Antončič & Hisrich, 2003) who can realize their ideas without being confronted with entrepreneurial risks. If entrepreneurial risks are seen as an integral part of entrepreneurship (Knight, 1921), these founders would not be covered by the definition of entrepreneurs.

In contrast to venture capitalized start-ups, traditional start-ups, over the last centuries, had to hurry to become profitable. If revenues did not exceed running costs before the company runs out of the founder's own money or a repayable bank loan, it would simply go bankrupt.

REBELLION

Some children can be disobedient and defiant tyrants. They do not accept parental rules, values, and ideas, but rather want to strike out on their own. Some tech start-up entrepreneurs can be like that, too. To better understand this, it is helpful to return to mind the term "new economy". Mainly associated with the bursting of the dotcom bubble and therefore negatively connoted today, the term clearly illustrates that this "*new*" economy was supposed to be completely different from the old one. The United States were suffering from small growth since the 1970s until the mid-1990s (Cowen, 2011). Big, ponderous, and first and foremost old corporations dominated their stagnating or shrinking markets as oligopolists. In this cut-throat competition, they fought for wresting small percentages of market share from their rivals. Revenues might have been large, but profit margins were not. Products did not improve tremendously and became more and more similar to those by the competitors, an observation already made by Hotelling (1929). Finally, such imitation races end in ruinous hyper competition (D'Aveni, 1994) or red ocean constellations (Kim & Mauborgne, 2005) which are settled by lowest costs and prices rather than differentiation and innovation.

In this situation and with the coincidence of the increasing commercialization of the internet, technology start-up entrepreneurs wanted and still want to leave behind heavy labor- and capital-based brick-and-mortar industries in order to head towards creative and "*lean*" (Ries, 2011) information- and knowledge-based approaches which generate a maximum of profit (this is the first hint for the thriving for colossal wealth) out of a minimum of input and with high agility and scalability. The aim is creative destruction (Schumpeter, 1942) or disruptive innovation (Bower & Christensen, 1995) respectively, no less than destroying traditional, parental products and markets and replacing them with new, youthful, especially digital ones. This is rebellion!

WEALTH ATTAINMENT

Many tech founders become immediately rich, at least calculatedly, as soon as the first venture capital firm invests in the company. By buying a relatively small share for a relatively large amount, the value of the whole company massively increases, no matter whether revenues are high or profits exist. Discounted cashflows do not play an important role at this point, since tech start-ups are no value, but growth companies. When the company later gets its public listing, the founders' shares can be sold, mostly after a certain holding phase, and the former calculated wealth can be turned to a real one. Many tech start-up entrepreneurs strive for selling their company as quickly as possible and at the highest possible price.

This is diametrically opposed to many family businesses' mindset which is characterized by the image of a founder who builds the company for years or even decades and preserves it for the next generations. For many family firms, socioemotional wealth, the reputational and affective value gained from the company (Berrone et al., 2010; Gómez-Mejía et al., 2007), appears to be even more important than financial wealth. As they renounce profit maximization in favor of long-term and non-economic goals, they curtail the firm's value and, hence, their own financial wealth.

IMPLICATIONS FOR ENTREPRENEURSHIP RESEARCH

This paper picked the lens of the Midas complex in order to focus on unfavorable personalities which are much neglected in entrepreneurial trait research. While the Midas complex can clearly be seen as a negative label, the three characteristics of „Midas entrepreneurs" that were stressed in the paper are not necessarily negative and negative personalities do not inevitably lead to negative outcomes (Smith et al., 2018).

FIGURE 1
UNCLEAR RELATIONSHIP BETWEEN UNFAVORABLE TRAITS AND OUTCOMES

First, playfulness might mainly be ascribed to children but this does not mandatorily represent a negative characteristic. Second, rebellion, as discussed earlier, refers to a systematic approach to massively improve products or services as well as profit margins. Third, wealth attainment is not negative per se, but a goal for many individuals whether they work as artists, athletes, entrepreneurs, or managers. Only in extreme manifestations, as suggested by the Midas complex and any other mental disorder, they become pathological.

The Midas complex, as the mythological name suggests, focusses on the pathological form of wealth attainment. Interestingly, according to academic research, for start-up entrepreneurs, wealth attainment is less important than other motives such as independence, freedom in terms of working style and time management as well as taking advantage of an opportunity (Amit et al., 2000; Birley & Westhead, 1994). In contrast, non-academic business media regularly and intensely cover wealth issues regarding tech entrepreneurs. They do not only broach the issue of how rich the founders of current tech giants are, but also constantly look out for the next so-called unicorns, start-ups that are assigned a value of more than 1 billion US-Dollars.

This discrepancy can be explained by the fact that motives to become an entrepreneur are not homogeneous, but vary by growth intentions and preferences (Cassar, 2007). Also regional or even cultural differences have to be considered (Audretsch et al., 2017; Obschonka et al., 2013). For example, Amit et al. (2000) asked (only) 51 tech entrepreneurs from British Columbia which, unlike Silicon Valley, Tel Aviv, or Berlin, is not well known for being a high-tech cluster. This suggests that larger empirical studies have to be conducted.

Obviously not all start-up companies are alike, nor are start-up entrepreneurs. For example, it makes a difference whether a company runs a corner shop, builds cars, wants to colonialize Mars, or tries to achieve human immortality. Entrepreneurs can be distinguished by types of business, motives, stages in development, and various other classifications. For each type, specific knowledge can be acquired and even the research questions might differ slightly. Current entrepreneurship research stills prefers to distinguish between entrepreneurs and non-entrepreneurs rather than distinguishing between different types of entrepreneurs, different types of entrepreneurs' mindsets, and different types of entrepreneurial behavior. Among these different start-up types, technology firms currently draw massive attention and admiration in media reporting and public perception. However, they play a comparably small role in academic research.

The playing and rebellious aspects draw attention to specific psychological, and hence, behavioral patterns. Even though cognition (e.g., Baron, 1998; Grégoire et al., 2011) and behavior (e.g., Mueller et al., 2012) have recently become important research topics in entrepreneurship, these are still at the very beginning and consider entrepreneurs as a homogeneous rather than heterogeneous group. The Midas complex perspective is able to give a magnified and possibly distorted view on a specific mindset and behavior. Apart from this psychoanalytic view, non-psychotic but in-depth, differential-psychological inquiries on entrepreneurial cognition and behavior seem to be necessary.

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